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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

GLOBAL OFFERING

Sole Sponsor

國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

Financial Adviser

MIZUHO

Joint Global Coordinators

國金證券(香港)有限公司 SINOLINK SECURITIES (HK) CO. LTD. MIZUHO

Joint Bookrunners and Joint Lead Managers

國金證券(香港)有限公司 SINOLINK SECURITIES (HK) CO. LTD. MIZUHO 交銀國際 BOCOM International

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**25,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**225,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$3.92 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)**
Stock code	:	**2155**

Sole Sponsor

Financial Adviser

Joint Global Coordinators

Joint Bookrunners and Joint Lead Managers

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed ''Risk Factors'' in this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 5 March 2021 and, in any event not later than Tuesday, 9 March 2021. The Offer Price will be not more than HK$3.92 per Offer Share and is currently expected to be not less than HK$2.48 per Offer Share, unless otherwise announced. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the Offer Price range will be published on the website of our Company at **www.morimatsu-online.com** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

26 February 2021

EXPECTED TIMETABLE[1]

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of our Company at ***www.morimatsu-online.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways[2]:

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** . . . . . 11:30 a.m. on Friday, 5 March 2021

Application lists open [3] . . . . . 11:45 a.m. on Friday, 5 March 2021

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Friday, 5 March 2021

Latest time for giving **electronic application instructions** to HKSCC [4] . . . . . 12:00 noon on Friday, 5 March 2021

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Friday, 5 March 2021

Application lists close[3] . . . . . 12:00 noon on Friday, 5 March 2021

Expected Price Determination Date[5] . . . . . on or around Friday, 5 March 2021

Announcement of the final Offer Price, level of indication of interest in the International Placing, level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk**; and on the website of our Company at **www.morimatsu-online.com**[6][13] . . . . . Friday, 12 March 2021

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at **www.hkexnews.hk**, the website of our Company at **www.morimatsu-online.com**, the "IPO Results" function in the **IPO App** and the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from[13] . . . . . Friday, 12 March 2021

Despatch of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6][8][13] . . . . . Friday, 12 March 2021

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications (where applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7] to [13] . . . . . Friday, 12 March 2021

Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on[13] . . . . . Monday, 15 March 2021

The application for the Hong Kong Offer Shares will commence on Friday, 26 February 2021 through Friday, 5 March 2021. Such time period is longer than the normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving banks and on behalf of the Company after the closing of the application lists and the refund monies, if any, will be returned to the applicants without interest on or before Friday, 12 March 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Monday, 15 March 2021.

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

2. You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 March 2021, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Friday, 5 March 2021, the dates mentioned in "Expected Timetable" may be affected. An announcement will be made by us in such event.

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

5. The Price Determination Date is expected to be on or about Friday, 5 March 2021, and in any event no later than Tuesday, 9 March 2021 (Hong Kong time). If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, 9 March 2021 (Hong Kong time), the Global Offering will not proceed and will lapse.

6. Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Monday, 15 March 2021 (Hong Kong time), provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed and will lapse. In such a case, our Company will make an announcement as soon as possible thereafter.

7. e-Auto Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

8. Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Form may collect their refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 March 2021. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.

9. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering may collect their refund cheque(s), where applicable, in person but may not collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.

10. For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Friday, 12 March 2021. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 12 March 2021 in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.

11. For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Auto Refund payment instructions on Friday, 12 March 2021. For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on or before Friday, 12 March 2021 by ordinary post at their own risk. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.

12. Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

13. In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, 26 February 2021 to Monday, 15 March 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

For details of the structure of the Global Offering, including conditions thereof, please refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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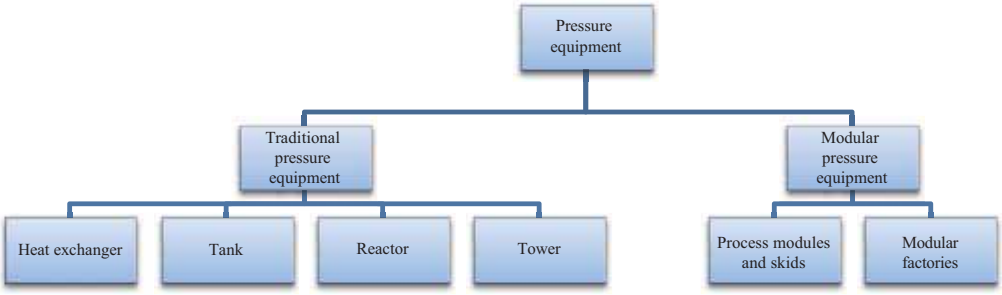
This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC offering traditional pressure equipment, modular pressure equipment and value-added services associated with the pressure equipment, with a strong market position in the PRC. According to F&S Report, the pressure equipment industry in the PRC was relatively fragmented, with the top five manufacturers and solution service providers of integrated pressure equipment solutions accounting for approximately 10.0% of total sales revenue of pressure equipment in the PRC in 2019. We mainly compete with state-owned and non-state owned pressure equipment manufacturers and providers of integrated pressure equipment solutions in the PRC, and we were the fourth largest pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC with a market share of approximately 1.5% and the largest non-state owned pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC, both in terms of sales revenue in 2019. For each of the traditional pressure equipment segment and modular pressure equipment segment, we were the fifth and eighth largest manufacturer in the PRC with market share of approximately 1.2% and 1.9%, respectively, in terms of sales revenue in 2019. Please refer to the section headed "Industry Overview — Competitive Landscape" in this prospectus for more details.

We offer comprehensive pressure equipment tailored to address specific requirements of our customers. We generally provide a combination of design, procurement, manufacturing, installation, testing and commissioning, and after-sales technical support services. Our pressure equipment is customised based on customers' requirements on a project basis. Set out below is the types of the pressure equipment we mainly offered during the Track Record Period:



To complement our pressure equipment offering, we also offer value-added services associated with the pressure equipment to our customers, including validation, maintenance, design, and digital operation services. For details, please refer to the section headed "Business — Business Model — Providing value-added services associated with the pressure equipment".

We generally undertake pressure equipment projects in downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. The requirements of traditional pressure equipment and modular pressure equipment vary across industries, as well as countries. We have obtained more than 20 industrial licences/certificates granted by relevant authorities in both the PRC and overseas as to our conformity with industry standards. Out of such industrial licences/certificates, four licences/certificates will expire in 2021 and we will apply for renewal of such licences/certificates as and when appropriate. With our strong design and manufacturing capabilities, we are able to offer traditional pressure equipment and modular pressure equipment in a number of overseas markets in addition to the PRC, such as North America, Europe, Asia (excluding mainland China), South America, Africa and Oceania.

We have two production bases in Shanghai and Nantong, which are located in the Yangtze River Delta region, one of the most established industrial regions in the PRC. Our Shanghai production base has a GFA of approximately 57,150 sq.m., with 14 production workshops. Our Nantong production base has a GFA of approximately 121,618 sq.m., with nine production workshops. Our estimated annualised production utilisation rate for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 is approximately 99.9%, 95.0%, 97.1% and 76.7%, respectively. For details, please refer to the section headed "Business — Production Facilities and Production Process — Production capacity and utilisation rate" in this prospectus. Moreover, we outsource certain processing works to sub-contractors to ensure the progress and quality of the projects. Specifically, we usually outsource the process of pressure equipment head forming (封頭壓制) and machining (機加工) to sub-contractors who have the requisite expertise and experience. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the outsourcing fees incurred by us amounted to approximately RMB108.6 million, RMB141.0 million, RMB137.1 million and RMB88.1 million, representing approximately 8.4%, 7.2%, 6.2% and 6.1% of our cost of sales of Continuing Operations, respectively.

We place great emphasis on our research and development capabilities as we believe that it will enable us to maintain our market position and allow us to compete effectively with leading players in the industry. Our research and development centres are located in our production bases in Shanghai and Nantong. As at the Latest Practicable Date, our research and development team comprised 323 personnel, majority of whom have received tertiary or higher education with diplomas and have an average 10 years of experience in related industries. During the Track Record Period, apart from relying on our own capabilities, we have collaborated with universities in the PRC, such as Shanghai Jiao Tong University and East China University of Science and Technology, with a view to further enhancing our research and development capability. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our research and development expenses from Continuing Operations amounted to approximately RMB87.2 million, RMB120.7 million, RMB126.1 million and RMB74.9 million, accounting for approximately 31.8%, 35.3%, 28.8% and 24.2% of our total operating expenses (which included our selling and marketing expenses, general and administrative expenses, and research and development expenses), respectively.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue from Continuing Operations was approximately RMB1,570.1 million, RMB2,467.9 million, RMB2,826.3 million and RMB2,014.0 million, respectively.

The following table sets forth the breakdown of our revenue from Continuing Operations by product/service for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Traditional Pressure equipment	544,592	34.7	1,059,704	42.9	1,647,930	58.3	1,244,683	59.2	1,110,199	55.1
– heat exchangers	131,079	8.3	304,513	12.3	671,261	23.8	466,721	22.2	326,696	16.2
– tanks	128,376	8.2	126,049	5.1	341,550	12.1	240,327	11.4	286,179	14.2
– reactors	70,455	4.5	502,319	20.4	506,988	17.9	428,402	20.4	414,723	20.6
– towers	214,682	13.7	126,823	5.1	128,131	4.5	109,233	5.2	82,601	4.1
Modular Pressure equipment	954,647	60.8	1,337,045	54.2	1,076,133	38.1	814,969	38.8	848,651	42.1
– process modules and skids *(Note 1)*	953,499	60.7	1,286,593	52.1	896,702	31.7	629,890	30.0	669,701	33.3
– modular factories *(Note 2)*	1,148	0.1	50,452	2.1	179,431	6.4	185,079	8.8	178,950	8.8
Value-added services *(Note 3)*	29,466	1.9	31,955	1.3	24,939	0.9	18,339	0.9	39,873	2.0
Others *(Note 4)*	41,392	2.6	39,165	1.6	77,328	2.7	22,398	1.1	15,234	0.8
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Notes:

1. A process module or skid generally refers to an assembly of pressure vessel products with other components in structure. Process module is designed to realise a certain process or a function and needs to be assembled with other process modules to achieve relatively complete process flows, and a skid usually contains a complete process system and multiple skids can be combined to create larger process systems or entire portable plants.
2. A modular factory is assembled by multiple process modules or skids, which are manufactured in our factory and transported to customer site and then assembled into a factory.
3. Value-added services include design, validation and maintenance services.
4. Others mainly include sales of raw materials and scrap materials.

COMPETITIVE STRENGTHS

We believe our success and potential and future growth are attributable to the following competitive strengths:

- The advanced craftsmanship we inherited from our Japanese controlling shareholder, coupled with China's overall strength in manufacturing industry, solidified the foundation for our business development
- We have a strong market position in the PRC
- Our internationalisation business strategy enables us to expand our customer base worldwide
- Our expertise in diversified downstream industries enables us to serve multi-industries
- We possess strong research and development capabilities
- Our management team has extensive industry knowledge and experience

BUSINESS STRATEGIES

We plan to implement the following strategies to strengthen our leadership position:

- We will continue to focus our business development on offering traditional pressure equipment and modular pressure equipment, and enhance and diversify our value-added services associated with the pressure equipment
- We intend to consolidate our leading position in certain selected downstream application industries, tap into new industry needs, and maintain relationships with major customers
- We plan to enhance production capacity, optimise production process and increase management efficiency
- We intend to enhance our research and development capabilities
- We will continue to internationalise our market profile to satisfy global customers' needs

OUR CUSTOMERS

Our customers generally include project owners which are end users of our products and services, third-party contractors that sub-contract to us certain parts of a project and equipment traders. During the Track Record Period, a majority of our revenue was generated from project owners (end users of our products and services), which amounted to approximately RMB1,012.7 million, RMB2,075.5 million, RMB2,029.2 million and RMB1,371.1 million, representing approximately 64.5%, 84.1%, 71.8% and 68.1% of our total revenue from Continuing Operations for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively.

With over 29 years of experience in the industry, we have established a customer base comprising both domestic and overseas customers. During the Track Record Period, we exported our products overseas to over 45 countries. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue derived from products and services delivered overseas amounted to approximately RMB1,031.8 million, RMB925.9 million, RMB1,039.2 million and RMB950.8 million, representing approximately 65.7%, 37.5%, 36.8% and 47.2% of our total revenue from Continuing Operations, respectively.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue attributable to our top five customers accounted for approximately 47.9%, 45.7%, 37.8% and 43.4% of our total revenue from Continuing Operations, respectively, among which our revenue attributable to our largest customer accounted for approximately 28.2%, 17.2%, 11.9% and 11.8% of our total revenue from Continuing Operations, respectively.

OUR SUPPLIERS

The principal raw materials procured by us are steel materials such as steel plates, steel pipes and forgings, and the principal parts and components procured by us include valves, meters, pipe fittings and pumps. We purchase most of our raw materials, parts and components from local suppliers in the PRC. We maintain a list of qualified suppliers and have in place a set of selection criteria for suppliers of our raw materials, parts and components, including various factors such as quality of work, pricing, reputation in the industry, supplier's qualification and financial position.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, purchases from our top five suppliers accounted for approximately 13.6%, 17.8%, 16.8% and 16.4% of our total purchases, respectively, among which purchases from our largest supplier accounted for approximately 3.5%, 5.5%, 4.3% and 4.3% of our total purchases, respectively.

SALES AND MARKETING AND PRICING POLICY

We identify potential business opportunities mainly through (i) tendering/quotation, and (ii) direct negotiation. Our customers can generally determine at their discretion the method of identifying suppliers to suit their specific needs, unless they are required under the applicable laws, rules and regulations to carry out competitive bidding. We normally set a price on a cost-plus basis taking into account a variety of factors, including cost of raw materials, labour costs, research and development costs, complexity of the work, sub-contracting costs, business strategies, market demand, the specification and/or customisations required by our customers and past relationships with the customers.

MARKET COMPETITION

According to the F&S Report, the pressure equipment industry in China was relatively fragmented, with the top five manufacturers and solution service providers of integrated pressure equipment solutions accounting for approximately 10.0% of total sales revenue of pressure equipment in China in 2019. We mainly compete with state-owned and non-state owned pressure equipment manufacturers and providers of integrated pressure equipment solutions in the PRC, and we were the fourth largest pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC in terms of sales revenue in 2019 with a market share of approximately 1.5% and the largest non-state owned pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC in terms of sales revenue in 2019. Please refer to "Industry Overview – Competitive Landscape" in this prospectus for more details.

FINANCIAL INFORMATION

The tables below present summary of financial information for the years/periods indicated and should be read together with Appendix I to this prospectus and discussion under the section headed "Financial Information" in this prospectus.

Summary of combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing Operations					
Revenue	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957
Cost of sales	(1,286,665)	(1,955,935)	(2,223,441)	(1,623,108)	(1,433,464)
Gross profit	283,432	511,934	602,889	477,281	580,493
Other income/(loss)	19,434	13,237	7,067	(11,404)	(4,675)
Selling and marketing expenses	(35,784)	(77,424)	(88,074)	(59,718)	(47,878)
General and administrative expenses	(151,258)	(143,562)	(223,322)	(157,208)	(186,599)
Research and development expenses	(87,246)	(120,683)	(126,146)	(90,909)	(74,867)
Profit from operations	28,578	183,502	172,414	158,042	266,474
Finance costs	(8,641)	(5,506)	(6,381)	(5,014)	(7,842)
Shares of results of associate	9,414	(119)	–	–	–
Profit before taxation	29,351	177,877	166,033	153,028	258,632
Income tax	(14,577)	(31,423)	(25,087)	(23,926)	(37,434)
Profit from Continuing Operations	14,774	146,454	140,946	129,102	221,198
Discontinued Operations					
(Loss)/profit from Discontinued Operation (net of income tax)	(23,094)	(20,667)	5,673	5,673	–
(Loss)/profit for the year/period	(8,320)	125,787	146,619	134,775	221,198
Attributable to:					
Equity shareholders of the Company	7,100	116,223	149,104	137,260	221,198
Non-controlling interests	(15,420)	9,564	(2,485)	(2,485)	–
(Loss)/profit for the year/period	(8,320)	125,787	146,619	134,775	221,198

NON-HKFRS MEASURE

To supplement our combined financial statements which are presented in accordance with HKFRSs, we also use a non-HKFRS measure, adjusted profit/(loss) for the year/period, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it enables us to measure our profitability without taking into consideration of certain one-off or non-cash items.

The following table reconciles our adjusted profit/(loss) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit for the year/period	(8,320)	125,787	146,619	134,775	221,198
Add:					
Share-based payment	–	–	–	–	20,260
Listing expense	–	6,256	4,735	1,470	14,098
Adjusted (loss)/profit for the year/period[Note]	**(8,320)**	**132,043**	**151,354**	**136,245**	**255,556**

Note: We define "adjusted (loss)/profit for the year/period" as loss or profit for the year/period by adding back share-based payment and listing expense. We exclude these items because (i) share-based payment is a non-cash item (i.e. it is not expected to result in cash payment); and (ii) listing expense is non-recurring in nature, and they are not indicative of our core operation results and business outlook. Potential investors should be aware that the adjusted (loss)/profit for the year/period measure presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation. The use of adjusted (loss)/profit for the year/period has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

Our revenue from Continuing Operations demonstrated an upward trend throughout the years ended 31 December 2017, 2018 and 2019, which was mainly attributable to (i) an increased demand from chemical and pharmaceutical industry; (ii) our strategy to participate in projects with relatively high gross profit margin; and (iii) our marketing efforts. For details, please refer to the section headed "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this prospectus for further information. The increase in our revenue from Continuing Operations for the year ended 31 December 2018 was primarily attributable to the increases in the revenue from traditional pressure equipment business and modular pressure equipment business. The further increase in our revenue from Continuing Operations for the year ended 31 December 2019 was primarily due to the increase in revenue from sales of traditional

pressure equipment, partially offset by the decrease in revenue from sales of modular pressure equipment. The slight decrease in our revenue from Continuing Operations for the nine months ended 30 September 2020 as compared to the nine months ended 30 September 2019 was mainly attributable to the decrease in the sales of traditional pressure equipment, while our sales of modular pressure equipment remained relatively stable for the same period. Such fluctuations of our revenue from different products or services during the Track Record Period was mainly driven by the changing demand for our products or services in the relevant downstream industries and geographic markets, competition as well as new customers acquired. The significant increase in our net profit from Continuing Operations for the year ended 31 December 2018 as compared to the year ended 31 December 2017 was mainly in line with the significant increase in our revenue from Continuing Operations for the same year. Notwithstanding an increase in revenue in 2019, our net profit from Continuing Operations for the year ended 31 December 2019 decreased slightly by approximately RMB5.6 million, or 3.8%, as compared to the year ended 31 December 2018, mainly attributable to an increase in general and administrative expense, which was mainly due to a decrease in the reversal of bad debt loss and an increase in staff welfare. Our net profit from Continuing Operations for the nine months ended 30 September 2020 increased by approximately RMB92.1 million, or 71.3% as compared to the nine months ended 30 September 2019 mainly attributable to a decrease of cost of sales as a result of decrease of the sales and decrease in installation and repair cost for the nine months ended 30 September 2020. For details, please refer to the paragraphs headed "Description of Principal Items in the Combined Statements of Profit or Loss and other Comprehensive Income" and "Results of our Continuing Operations" in the section headed "Financial Information" in this prospectus.

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin from Continuing Operations by end application for the Track Record Period:

	Year ended 31 December												Nine months ended 30 September			
	2017				2018				2019				2020			
	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin
	RMB'000		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*
Chemical	479,905	30.6	46,462	9.7	675,874	27.4	129,956	19.2	1,284,233	45.4	257,372	20.0	772,555	38.4	226,585	29.3
Pharmaceutical	224,543	14.3	60,683	27.0	381,141	15.4	75,799	19.9	720,891	25.5	135,835	18.8	535,424	26.6	136,506	25.5
Personal care chemical	511,627	32.6	96,252	18.8	608,466	24.7	162,688	26.7	239,052	8.5	61,099	25.6	168,345	8.4	47,381	28.1
Mining and metallurgical	2,170	0.1	1,840	84.8	47,570	1.9	9,800	20.6	116,986	4.1	30,785	26.3	171,623	8.5	55,984	32.6
Oil and gas	218,742	13.9	40,655	18.6	113,258	4.6	(14,999)	(13.2)	95,656	3.4	28,413	29.7	163,430	8.1	40,214	24.6
Electronic chemical	92,162	5.9	24,107	26.2	552,519	22.4	123,384	22.3	79,005	2.8	14,081	17.8	21,603	1.1	4,653	21.5
Others *(Note)*	40,948	2.6	13,433	32.8	89,041	3.6	25,306	28.4	290,507	10.3	75,304	25.9	180,977	8.9	69,170	38.2
Total	1,570,097	100.0	283,432	18.1	2,467,869	100.0	511,934	20.7	2,826,330	100.0	602,889	21.3	2,013,957	100.0	580,493	28.8

Note: Others primarily include shipping industry, water treatment industry and food industry.

For the reasons of the material fluctuation of revenue, gross profit and gross profit margin from Continuing Operations by end application for the Track Record Period, please refer to the sections headed "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — Geographical Location" and "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Downstream Industries" for further details.

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin from Continuing Operations by geographical location of the projects undertaken by us for the Track Record Period:

	Year ended 31 December												Nine months ended 30 September			
	2017				2018				2019				2020			
	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin
	RMB'000		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*
Mainland China	538,327	34.3	78,154	14.5	1,541,984	62.5	309,478	20.1	1,787,099	63.2	354,248	19.8	1,063,150	52.8	280,618	26.4
North America	475,778	30.3	93,016	19.6	430,558	17.4	104,104	24.2	411,759	14.6	90,922	22.1	104,296	5.2	36,103	34.6
Asia (excluding mainland China)	313,685	20.0	64,221	20.5	347,284	14.1	85,627	24.7	297,506	10.5	83,203	28.0	516,310	25.6	163,329	31.6
Europe	195,582	12.5	42,811	21.9	22,344	0.9	5,081	22.7	241,909	8.6	67,529	27.9	233,725	11.6	75,244	32.2
Others *(Note)*	46,725	2.9	5,230	11.2	125,699	5.1	7,644	6.1	88,057	3.1	6,987	7.9	96,476	4.8	25,199	26.1
Total	**1,570,097**	**100.0**	**283,432**	**18.1**	**2,467,869**	**100.0**	**511,934**	**20.7**	**2,826,330**	**100.0**	**602,889**	**21.3**	**2,013,957**	**100.0**	**580,493**	**28.8**

Note: Others mainly included Brazil, Chile, Argentina and Peru in South America, Algeria, Nigeria and South Africa in Africa and Australia in Oceania.

For the reasons of the material fluctuation of revenue — gross profit and gross profit margin from Continuing Operations by geographical location of projects undertaken by us for the Track Record Period, please refer to the sections headed "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — Geographical Location" and "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Geographical Location" for further details.

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin from Continuing Operations by customer classification for the Track Record Period:

	Year ended 31 December												Nine months ended 30 September			
	2017				2018				2019				2020			
	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin	Revenue	% of total revenue	Gross profit	Gross Profit Margin
	RMB'000		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*
Project owners	1,012,706	64.5	189,170	18.7	2,075,534	84.1	469,774	22.6	2,029,165	71.8	425,604	21.0	1,371,063	68.1	381,316	27.8
Non-project owners	557,391	35.5	94,262	16.9	392,335	15.9	42,160	10.7	797,165	28.2	177,285	22.2	642,894	31.9	199,177	31.0
Total	1,570,097	100.0	283,432	18.1	2,467,869	100.0	511,934	20.7	2,826,330	100.0	602,889	21.3	2,013,957	100.0	580,493	28.8

Note: Project owners refer to end users of our products and services; and non-project owners include (i) third-party contractors that sub-contract to us certain parts of a project; and (ii) equipment traders.

For the reasons of the material fluctuation of gross profit and gross profit margin from Continuing Operations by customer classification for the Track Record Period, please refer to the section headed "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — Customer Classification" and "Financial Information Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Customer Classification" for further details.

Summary of combined statements of financial positions

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Inventories	397,922	822,745	1,132,485	915,683
Contract assets	99,907	85,841	150,183	209,881
Trade and other receivables	531,731	949,008	585,033	529,206
Financial assets measured at FVPL	70,820	–	5,757	–
Cash and cash equivalents	354,948	522,031	451,398	451,849
	1,455,328	2,379,625	2,324,856	2,106,619
Current liabilities				
Trade and other payables	451,194	840,970	803,990	677,653
Contract liabilities	621,714	1,162,841	1,264,079	1,025,293
Interest-bearing borrowings	233,649	142,104	454,229	434,385
Financial liabilities measured at FVPL	–	1,342	–	–
Lease liabilities	1,143	1,238	1,854	1,111
Current taxation	11,708	13,451	13,008	4,498
	1,319,408	2,161,946	2,537,160	2,142,940
Net current assets/(liabilities)	135,920	217,679	(212,304)	(36,321)
Net assets	1,437,622	1,110,304	706,763	910,965
Total equity attributable to equity shareholders of the Company	1,406,278	1,069,414	706,763	910,965
Non-controlling interests	31,344	40,890	–	–
Total equity	1,437,622	1,110,304	706,763	910,965

We recorded net current liabilities of approximately RMB212.3 million as at 31 December 2019 as compared to net current assets of approximately RMB217.7 million as at 31 December 2018, primarily attributable to (i) the Demerger in 2019, which led to a decrease of approximately RMB510.6 million in current assets (primarily including trade and other receivables, inventories and financial assets measured at FVPL) and approximately RMB341.3 million in current liabilities (primarily including trade and other payables, contract liabilities and interest-bearing borrowings) as at the date of disposal as disclosed in Note 5(c) to the Accountants' Report as set out in Appendix I to this prospectus; (ii) the increase in interest-bearing borrowings of approximately RMB312.1 million mainly due to the reclassification of certain of our borrowings from non-current liabilities to current liabilities, which were borrowed from related parties and matured within one year as at 31 December 2019; and (iii) the increase in contract liabilities of approximately RMB101.2 million mainly due to more advance payment made by our customers, partially offset by the increase in inventories of approximately RMB309.7 million mainly attributable to the increase in work in progress of approximately RMB442.0 million resulting from the increased number of projects we worked on as at 31 December 2019.

As at 30 September 2020, our Group's net current liabilities decreased to approximately RMB36.3 million. Such decrease in net current liabilities was mainly attributable to (i) the decrease in contract liabilities of approximately RMB238.8 million mainly due to the contract liabilities recorded for three of our customers amounting to RMB367.4 million as at 31 December 2019 which were subsequently settled; and (ii) the decrease in trade and other payables of approximately RMB126.3 million mainly due to the decrease in trade payable to our raw material suppliers, partially offset by the decrease in inventories of approximately RMB216.8 million mainly reflected by the decrease in work in progress as a result of the delivery of a few purchase orders with relatively large contract value close to completion as at 31 December 2019.

To improve our working capital and net current liabilities position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We will also prepare cash flow and funding summaries on a regular basis to monitor our cash flow relating to our receipt of payments from customers, operating costs, financing, repayments of loans, purchase of property, plant and equipment, tax payables and other expenses. In order to enhance our working capital management, we will manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We would consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. Moreover, we will assess the availability of resources for financing our business needs on an ongoing basis.

Further, we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings and on acceptable terms to our Group. In the future, we might consider to replace part of our short-term borrowings with long-term borrowings if necessary, which would also enhance our net current liabilities position.

Our net assets decreased from approximately RMB1,437.6 million as at 31 December 2017 to approximately RMB1,110.3 million as at 31 December 2018, mainly attributable to deemed distribution to the Controlling Shareholder of approximately RMB313.4 million. Our net assets further decreased to approximately RMB706.8 million as at 31 December 2019, primarily attributable to the Demerger as part of the Reorganisation of approximately RMB525.2 million. Our net assets increased from approximately RMB706.8 million as at 31 December 2019 to approximately RMB911.0 million as at 30 September 2020, primarily attributable to the accumulation of profit for the nine months ended 30 September 2020 of approximately RMB221.2 million.

Please refer to the section headed "Risk Factors – We recorded net current liabilities as at 31 December 2019 and 30 September 2020".

Summary of combined statements of cash flow statements

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	361,477	345,267	205,934	221,672	131,766
Net cash generated from/(used in) investing activities	21,280	(318,105)	(211,807)	(177,748)	(90,631)
Net cash (used in)/ generated from financing activities	(244,373)	125,112	(69,911)	(106,277)	(34,737)
Net increase/(decrease) in cash and cash equivalents	123,907	167,083	(70,633)	(58,799)	451
Effect of foreign exchange rate changes	(14,477)	14,809	5,151	3,554	(5,947)
Cash and cash equivalents at 1 January	231,041	354,948	522,031	522,031	451,398
Cash and cash equivalents at 30 September/ 31 December	354,948	522,031	451,398	463,232	451,849

The fluctuations in net cash flows were mainly due to the changes in profit before taxation, the Demerger, payment for the purchase of property, plant and equipment and receipt and repayment of borrowings from related parties and bank borrowings. For details, please refer to "Financial Information — Liquidity and Capital Resources — Cash flows."

Key financial ratios

The table below sets out our certain key financial ratios during the Track Record Period:

	Year ended/As at 31 December			Nine months ended/ As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Return on equity	(0.6%)	11.3%	20.7%	24.3%
Return on assets	(0.3%)	3.4%	4.5%	7.2%
Current ratio	1.1	1.1	0.9	1.0
Quick ratio	0.8	0.7	0.5	0.6
Gearing ratio	0.2	0.5	0.7	0.5
Gross profit margin	18.1%	20.7%	21.3%	28.8%
Net profit margin	0.9%	5.9%	5.0%	11.0%

Our return on equity was approximately 11.3% for the year ended 31 December 2018 as compared to approximately negative 0.6% for the year ended 31 December 2017, primarily attributable to a significant increase in our net profit from our Continuing Operations and a decrease in our equity as a result of a decrease in our merger reserve arising from the Reorganisation and the dividend declared in 2018. Our return on equity further increased to approximately 20.7% for the year ended 31 December 2019 mainly attributable to a further decrease in our equity because of the Demerger in 2019.

We recorded negative return on assets of approximately 0.3% for the year ended 31 December 2017 as compared to return on assets of approximately 3.4% for the year ended 31 December 2018, primarily as a result of a significant increase in our net profit from our Continuing Operations, which outpaced the growth of our total assets. Our return on assets further increased to approximately 4.5% for the year ended 31 December 2019, primarily attributable to a decrease in our total assets, which was primarily due to the decrease in our property, plant and equipment and trade and other receivables arising from the Demerger in 2019.

Our gearing ratio increased from approximately 0.2 as at 31 December 2017 to approximately 0.5 as at 31 December 2018, mainly as a result of a significant increase in our interest-bearing borrowings from related parties and a decrease in our equity due to a decrease in our merger reserve arising from the Reorganisation and the dividend declared in 2018. Our gearing ratio further increased to approximately 0.7 as at 31 December 2019, which was mainly due to a decrease in our equity as a result of the Demerger. Our gearing ratio decreased to approximately 0.5 as at 30 September 2020, which was mainly due to an increase in our equity attributable to the net profit of approximately RMB221.2 million recorded for the nine months ended 30 September 2020.

Our net profit margin increased from approximately 0.9% for the year ended 31 December 2017 to approximately 5.9% for the year ended 31 December 2018, primarily attributable to an increase in our gross profit margin, coupled with a decrease in our general and administrative expenses for the year ended 31 December 2018. Our net profit margin remained relatively stable at approximately 5.9% and 5.0% for the years ended 31 December 2018 and 2019, respectively. Our net profit margin increased from approximately 6.1% for the nine months ended 30 September 2019 to approximately 11.0% for the nine months ended 30 September 2020 primarily attributable to an increase in our gross profit margin, partially offset by an increase in our general and administrative expenses for the nine months ended 30 September 2020.

For the analysis of our key financial ratios, please refer to the section headed "Financial Information – Key Financial Ratios" in this prospectus.

DISCONTINUED OPERATIONS

During the Track Record Period, we, by way of Demerger, disposed of our interest in Morimatsu Chemical Equipment and Morimatsu Solar Technology. For details, please refer to the paragraphs headed "Ceased Subsidiaries" and "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" and the section headed "Relationship with our Controlling Shareholders – Delineation of Businesses" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme), Morimatsu Industry will hold 75% of the issued share capital of our Company. Morimatsu Industry is wholly owned by Morimatsu Holdings. Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki holds 80% and 20% of the voting shares of Morimatsu Holdings, respectively. Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki are siblings. On the basis that Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki hold their interests in Morimatsu Industry and in turn our Company through the common investment holding company of Morimatsu Holdings, Mr. Matsuhisa Terumoto, Mr. Matsuhisa Hiroyuki, Morimatsu Industry and Morimatsu Holdings are regarded as a group of our Controlling Shareholders. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details.

BUSINESS ACTIVITIES IN COUNTRIES/REGIONS SUBJECT TO INTERNATIONAL SANCTIONS

For the three years ended 31 December 2019 and the nine months ended 30 September 2020, we sold our products including traditional pressure equipment and modular pressure equipment directly and indirectly to customers located in the Relevant Regions. The revenue

generated from such transactions related to the Relevant Regions was approximately RMB112.4 million, RMB2.8 million, RMB31.9 million and RMB74.5 million, representing approximately 7.2%, 0.1%, 1.1% and 3.7% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. The Balkans (Greece), Egypt, Iraq, Turkey and Russia were subject to various sanctions during the Track Record Period but none of them was subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction. For more details, please refer to the section headed "Risk Factors — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities" in this prospectus.

As advised by our International Sanctions Legal Advisers after performing the procedures they consider necessary, we did not violate relevant sanctions as a result of Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period. We intend to continue to sell our products to customers in countries/regions subject to International Sanctions except for the Sanctioned Countries after Listing if and when suitable business opportunity arises, subject to our strict adherence to our internal control and risk management measures. To identify and monitor our exposure to risks associated with sanctions laws relating to these sales, we will implement relevant internal control measures to protect the interests of our Group and our Shareholders. For details, please refer to the section headed "Business — Business Activities with Customers in relation to Countries/Regions subject to International Sanctions" in this prospectus.

NON-COMPLIANCE

We were involved in certain non-compliance incidents relating to work safety, environmental protection and fire safety under applicable PRC laws during the Track Record Period. For details, please refer to the paragraph headed "Business — Regulatory Compliance" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$3.20, being the mid-point of the indicative Offer Price range and that the Over-allotment Option is not exercised, will be approximately HK$728.5 million (approximately RMB613.9 million). We currently intend to apply the net proceeds from the Global Offering in the following manner:

- approximately 71.5% or HK$520.9 million (approximately RMB438.9 million) will be used for enhancing our production capacity and production capability;

- approximately 9.0% or HK$65.3 million (approximately RMB55.0 million) will be used for enhancing our service capability, thereby strengthening our value-added services associated with the pressure equipment;

- approximately 8.1% or HK$59.3 million (approximately RMB50.0 million) will be used for advancing our internationalisation strategy;

- approximately 3.3% or HK$23.7 million (approximately RMB20.0 million) will be used for investing in research and development to improve our production process capability and production efficiency, and promote sales of our existing and new products; and

- the remaining balance of approximately HK$59.3 million (approximately RMB50.0 million), or 8.1% of the total net proceeds from the Global Offering of the net proceeds will be used for our working capital and general corporate purposes.

Please refer to the section headed ''Future Plans and Use of Proceeds — Use of Proceeds'' in this prospectus for further details.

GLOBAL OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Bonus Issue and the Global Offering have been completed and 250,000,000 Shares are issued in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 1,000,000,000 Shares are in issue immediately following the completion of the Bonus Issue and the Global Offering.

	Based on an Offer Price of HK$2.48 per Share	**Based on an Offer Price of HK$3.92 per Share**
Market capitalisation after completion of the Global Offering and the Bonus Issue	HK$2,480 million	HK$3,920 million
Unaudited pro forma adjusted combined net tangible assets to the equity Shareholders per Share	HK$1.62	HK$1.98

Note: For calculation of the unaudited pro forma adjusted combined net tangible assets per Share, please refer to "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees and underwriting commission incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK$3.20 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses is estimated to be approximately HK$71.5 million, representing 8.9% of the gross proceeds from the Global Offering, of which (i) approximately HK$29.8 million had been charged to our profit or loss

for the two years ended 31 December 2019 and the nine months ended 30 September 2020; (ii) approximately HK$24.0 million will be deducted from equity upon Listing; and (iii) approximately HK$17.7 million is expected to be charged to our profit or loss for the three months ended 31 December 2020 and the year ending 31 December 2021. The actual amounts to be recognised to the profit or loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

The listing expenses stated above are the current estimation for reference purposes and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Accordingly, prospective investors should note that the financial performance of our Group for the year ended 31 December 2020 and for the year ending 31 December 2021 may be materially and adversely affected by the listing expenses mentioned above.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2020

Our Directors estimate, on the bases set out in Appendix III to this prospectus, that our estimated consolidated profit attributable to equity shareholders of our Company is as follows:

Estimated consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020	Not less than RMB270.0 million (equivalent to approximately HK$320.4 million)

The profit estimate, for which the Directors are solely responsible, has been prepared by them based on (i) the audited combined results of our Group for the nine months ended 30 September 2020 as set out in the Appendix I to this prospectus; and (ii) the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 December 2020.

DIVIDEND

Dividends of approximately RMB22.1 million, RMB139.5 million and RMB2.4 million were declared by us in respect of the years ended 31 December 2017, 2018 and 2019, all of which have been fully paid. Dividend of approximately RMB30.0 million was declared by our Group in August 2020 and was fully paid in February 2021. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders. As our Company is a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Board.

PRINCIPAL RISK FACTORS

We believe that there are certain risks involved in our operation which are beyond our control. Some of the risks which our Directors consider to be material are as follows: (i) most of our sales are project based, and we may not have recurring business and we may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period; (ii) we depend on a stable and adequate supply of quality raw materials and consumables which are subject to price volatility and other risks; (iii) any material disruption to our production bases may materially and adversely affect our business; (iv) maintaining our trusted brand image is critical to our success, and any failure to do so could severely damage our reputation and lead us to negative publicity; and (v) any trade or import protection policies may materially and adversely affect our business.

TRADE TENSION BETWEEN CHINA AND THE UNITED STATES

In recent years, there has been a deterioration in the relationship between China and the United States which has resulted in intense potential conflicts between the two countries in trade, technology and other areas. For instance, the United States has introduced a number of additional customs duties at different rates on various goods imported from China since July 2018. Our revenue from Continuing Operations derived from the Unites States was approximately RMB475.8 million, RMB429.5 million, RMB407.0 million and RMB97.3 million for the years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020, representing approximately 30.3%, 17.4%, 14.4% and 4.8% of our total revenue from Continuing Operations for the corresponding period. Certain of our products are subject to additional tariff imposed by the United States, such as parts of certain types of heat exchangers. As confirmed by our Directors, during the Track Record Period, our products were sold and delivered to the United States mainly on EXW and FOB basis which according to F&S Report the buyer generally pays customs duties. Therefore, we were not responsible for customs clearance within the jurisdiction of the United States nor were we responsible for the payment of any import tariffs for products imported into the United States. Nonetheless, the additional tariff on certain of our goods imposed by the Unites States may in turn reduce the competitiveness of our products in the United States and hence affected our sales to the United States. Our revenue derived from the United States decreased sharply from approximately RMB336.3 million for the nine months ended 30 September 2019 to approximately RMB97.3 million for the nine months ended 30 September 2020. For further details, please refer to the section headed "Business — Trade Tension between China and the United States" in this prospectus.

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

There has been an outbreak of the novel coronavirus, COVID-19, since January 2020 across the PRC and around the world. Such outbreak of epidemic has endangered the health of many people residing in the PRC and around the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, government authorities in the PRC, Europe, India, U.S., and other countries have imposed various controls and restrictions, including travel restrictions and quarantine for travelers or returnees from affected regions, stay home orders, lock down measure, and shutting down certain business operations temporarily.

We are of the view that the COVID-19 outbreak presents limited challenges to our business and financial conditions:

- **Customers, supplies and sub-contractors:** For the nine months ended 30 September 2020, except for the suspension of two projects and the termination of two projects, respectively, none of our customers had suspended/terminated the cooperation with us due to the COVID-19. As at the Latest Practicable Date, one of the suspended projects has been resumed in January 2021. Moreover, the completion or progress of eight projects were delayed due to the COVID-19. Considering (i) the delay of projects were due to the outbreak of COVID-19, which was an unforeseeable event beyond control of both parties; (ii) our Group had negotiated with customers about the delay of the projects in good faith and reset a reasonable delivery date, and none of the customers requested our Group to compensate them for the delay of the projects; and (iii) our Directors believed the expected delay of the projects due to COVID-19 would not jeopardise our relationship with those customers, our Directors are of the view that the expected delay of the eight projects due to COVID-19 would not have a material impact on our Group. Our suppliers primarily include raw material suppliers and sub-contractors which are mainly located in the PRC. All of our top five suppliers for the Track Record Period have resumed work by mid-February 2020, and the local logistics gradually resumed operation by mid-February 2020. Thus, we did not experience significant shortage of inventories or delay in the delivery of supplies which materially adversely affected our operations for the nine months ended 30 September 2020.

- **Our production activities:** There are limited impact of COVID-19 on our manufacturing activities in our Shanghai and Nantong production bases. Our Shanghai production base and Nantong production base were closed during the extended Chinese New Year holidays nationwide and up to 9 February 2020. Our employees in procurement and manufacturing department gradually resumed work on 10 February 2020 and most employees in procurement and manufacturing department were available to resume duties at the end of February 2020. None of our projects have been delayed as a result of the closure of the logistic companies or the impact of the transportation due to the COVID-19. In addition, we adopted remote monitoring for on-site installation on customers' construction site, and offered remote inspection for customers to inspect pressure equipment on our site.

- **Our sales and marketing activities:** Since February 2020 up to the Latest Practicable Date, to the best knowledge of our Directors, we are not aware of any potential projects that we have submitted tender or quotation is being aborted as a result of the outbreak of COVID-19. In addition, since 10 February 2020, we had suspended face-to-face marketing activities in the PRC and overseas markets. Instead, we conducted marketing activities through alternative means such as phone calls, emails and video conferences. We have resumed our face-to-face client meetings since late March 2020 in the PRC. However, given that the COVID-19 pandemic is still severe overseas, we have not yet resumed our face-to-face

marketing activities in overseas market. Moreover, there was a decrease in demand of our pre-sales services associated with pressure equipment, such as preparing preliminary proposal, due to the COVID-19 outbreak. However, our Directors are of the view the decreased demand of our pre-sales services would not have material impact on our business performance given that (i) pre-sales services are not the core parts in selling and marketing our projects ; and (ii) as an alternative, we adopted remote production base tour via video conference software.

Despite the outbreak of the COVID-19, our revenue from Continuing Operations only slightly decreased by approximately 4.1% from approximately RMB2,100.4 million for the nine months ended 30 September 2019 to approximately RMB2,014.0 million for the nine months ended 30 September 2020, and our profit from Continuing Operations increased by approximately RMB92.1 million, or 71.3%, from approximately RMB129.1 million for the nine months ended 30 September 2019 to approximately RMB221.2 million for the nine months ended 30 September 2020. Turnover days of trade debtors, bills receivable and contract assets decreased from 100 days for the year ended 31 December 2019 to 90 days for the nine months ended 30 September 2020.

Please refer to the section headed "Business — Impact of Outbreak of COVID-19 on our Operations" for details.

In the unlikely event that we are forced to completely suspend our business operations due to the outbreak of COVID-19, whether due to government policy or any other reasons beyond our control, taking into account (i) approximately RMB50.0 million, or 8.1% of the net proceeds from the Global Offering which is allocated for working capital and general corporate purposes (assuming an Offer Price of HK$3.20, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised); and (ii) our cash and cash equivalent of approximately RMB451.8 million as at 30 September 2020; and based on the key assumptions that (i) our operations have been completely suspended since 1 October 2020; (ii) we will not generate any revenue due to the suspension of business; (iii) fixed operation costs such as rental expenses (including utilities expenses) will be paid in connection with the leased premises; (iv) all staff will be paid based on the minimum salary standards set up by the local government authorities; (v) our expansion plan will be suspended; (vi) there will be no further internal or external financing from Shareholders or financial institutions; (vii) no further dividend will be declared and paid; (viii) repayment of bank borrowings will be made for the principal and related interests according to the repayment schedule; (ix) the trade and other payables as at 30 September 2020 will be settled when they are due; and (x) trade receivables will be settled based on the historical settlement pattern and prudential estimates, our Directors estimate that we will be financially viable for no less than ten months. The abovementioned extreme situation may or may not occur and the abovementioned analysis is for illustrative purpose only. Please refer to the section headed "Risk Factors — We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, we could be materially and adversely affected by the COVID-19 spread globally".

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As at 30 September 2020, our aggregate value of backlog was approximately RMB3,588.0 million, comprising approximately RMB2,324.6 million, RMB1,224.9 million and RMB38.5 million from contracts related to traditional pressure equipment, modular pressure equipment and value-added services associated with pressure equipment, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we entered into 246 new contracts with an aggregate contract sum of approximately RMB1,556.4 million. As at the Latest Practicable Date, our aggregate value of backlog was approximately RMB5,144.5 million.

We expect to record a significant decrease in our net profit for the year ending 31 December 2021 as compared to the year ended 31 December 2020, mainly attributable to (i) the estimated decrease in gross profit in 2021, primarily due to the estimated decrease in gross profit and gross profit margin of traditional pressure equipment in the same year; and (ii) the expected increase in our operation expenses in 2021 as compared to 2020, primarily due to (a) the increase in operation expenses (such as selling and marketing expenses and general and administrative expenses (excluding share-based payment expenses)), as the COVID-19 is expected to be gradually under control domestically, and hence our operation expenses are expected to gradually return to normal level during the year of 2021; and (b) the estimated increase in share-based payment expenses (to be included in general and administrative expenses) resulting from the options granted under the Pre-IPO Share Option Scheme from 1 July 2020. Moreover, our payment of social insurance contribution had been reduced by approximately RMB29.1 million for the nine months ended 30 September 2020 under the social insurance exemptions granted by local government authorities mainly in Nantong and Shanghai for mitigating the negative impacts of COVID-19, which was non-recurring in nature.

Save for the listing expenses as disclosed in the section headed "Financial information — Listing expenses" of this prospectus, to their best knowledge, our Directors confirm that since 30 September 2020, being the date of the latest audited financial statements of our Group, and up to the date of this prospectus, there has been no material adverse change in our business model, financial or trading position and prospects. Our Directors also confirm that there has been no events since 30 September 2020 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"AMT"	AMT Co., Ltd (AMT 株式會社), a company incorporated in Japan with limited liability on 20 February 1987, which is wholly owned by Morimatsu Industry
"Application Form(s)'	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 10 February 2021 and effective from the date of registration of this prospectus with the Registrar of Companies in Hong Kong, as amended or supplemented from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bonus Issue"	the proposed issue of 749,800,000 Shares to Morimatsu Industry immediately upon completion of the Global Offering
"business day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participants"	collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Morimatsu International Holdings Company Limited (森松國際控股有限公司), a company incorporated in Hong Kong with limited liability on 23 July 2019
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Continuing Operations"	the operations of our Group excluding the Discontinued Operations and mainly for application in chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, refers to Mr. Matsuhisa Terumoto, Mr. Matsuhisa Hiroyuki, Morimatsu Holdings and Morimatsu Industry
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time

"COVID-19"	an infectious disease caused by the coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
"Deed of Indemnity"	the deed of indemnity dated 10 February 2021 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide certain indemnities, further information on which is set forth in the section headed "Statutory and General Information — D. Other Information — 3. Estate duty, Tax and Other Indemnity" in Appendix VI to this prospectus
"Deed of Non-Competition"	the deed of non-competition undertaking dated 10 February 2021 entered into by our Controlling Shareholders in favour of our Company, further information of which is set forth in the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"Demerger"	the demerger of Morimatsu China pursuant to the demerger agreement dated 30 May 2019 (as amended by its supplemental agreement dated 30 September 2019), details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation – 4. The Demerger" in this prospectus
"Director(s)"	the director(s) of our Company
"Discontinued Operations"	the business operations of manufacture and sales of specialised pressure equipment for application in the semiconductor, lithium-ion battery and waste sorting industries, which we ceased to operate during the Track Record Period by way of Demerger
"EPC"	an acronym for engineering (E), procurement (P) and construction management (C), a business model widely adopted in various industry, under which the EPC provider bears the cost for engineering, procurement and construction
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

"Financial Adviser"	Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司), a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities, being the financial adviser of the Group in relation to the Global Offering
"Frost & Sullivan" or "F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research expert
"F&S Report"	the industry report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"GFA"	Gross Floor Area
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**

"HKFRSs"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards, amendments and related interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "HK dollars" or cents	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 25,000,000 Shares initially being offered for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 25 February 2021 in relation to the Hong Kong Public Offering entered into between, among others, our Company and the Hong Kong Underwriters
"Independent Third Party(ies)"	individual(s) or company(ies) who is(are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules

"International Placing"	the conditional placing of the International Placing Shares at Offer Price to selected professional, institutional and other investors as described in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 225,000,000 Shares expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to reallocation and the Over-allotment Option as described in the section headed "Structure of the Global Offering" in this prospectus
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, the United Nations or the Government of Australia
"International Sanctions Legal Advisers"	Hogan Lovells
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the conditional international underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners" or "Joint Lead Managers"	Sinolink Securities (Hong Kong) Company Limited, Mizuho Securities Asia Limited and BOCOM International Securities Limited
"Joint Global Coordinators"	Sinolink Securities (Hong Kong) Company Limited and Mizuho Securities Asia Limited
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date"	17 February 2021, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus

"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around Monday, 15 March 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"MIW"	MIW Co., Ltd (MIW株式會社), a company incorporated in Japan with limited liability on 26 August 1994, which is wholly owned by Morimatsu Industry
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Morimatsu Chemical Equipment"	Shanghai Morimatsu Chemical Equipment Co., Ltd (上海森松化工成套裝備有限公司), a company established in the PRC with limited liability on 17 November 2004, which is owned as to 80.85% and 19.15% by Morimatsu Seiki and Morimatsu Technology, respectively
"Morimatsu China"	Morimatsu (China) Investment Co., Ltd (森松(中國)投資有限公司), a company established in the PRC with limited liability on 7 June 2010 and a direct wholly-owned subsidiary of our Company
"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 with limited liability on 13 May 2008 and an indirect wholly-owned subsidiary of our Company
"Morimatsu Holdings"	Morimatsu Holdings Co., Ltd. (森松ホールディングス株式会社), a company incorporated in Japan with limited liability on 1 September 2015, which is controlled by Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki by holding 80% and 20% of its voting shares, respectively, and one of our Controlling Shareholders

"Morimatsu Industry"	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 wholly owned by Morimatsu Holdings, and one of our Controlling Shareholders
"Morimatsu Investment HK"	Morimatsu Investment Company Limited (森松投資有限公司) (formerly known as Morimatsu International Company Limited (森松國際有限公司)), a company incorporated in Hong Kong with limited liability on 30 September 2013 and an indirect wholly-owned subsidiary of our Company
"Morimatsu Italy"	Morimatsu Italy S.r.l., a company incorporated in Italy with limited liability on 26 November 2020 and a indirect wholly-owned subsidiary of our Company
"Morimatsu Japan"	Shanghai Morimatsu Co., Ltd (上海森松株式會社) (formerly known as Morimatsu Industry Bunkatsu Junbi Co., Ltd. (森松工業分割準備株式會社)), a company incorporated in Japan with limited liability on 31 January 2014 and a direct wholly-owned subsidiary of our Company
"Morimatsu Mixing"	Shanghai Morimatsu Mixing Technology Engineering Company Limited (上海森松混合技術工程裝備有限公司), a company established in the PRC with limited liability on 18 June 2002, which is owned as to 95.72% and 4.28% by Morimatsu Industry and Senhe Investment, respectively
"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 our Company
"Morimatsu Pressure Vessel"	Shanghai Senyong Engineering Equipment Co., Ltd. (上海森永工程設備有限公司) (formerly known as Shanghai Morimatsu Pressure Vessel Co., Ltd (上海森松壓力容器有限公司)), a company established in the PRC with limited liability on 14 October 1990, which is owned as to 80% and 20% by Mr. Wang Guobin (王國斌) and Saima LLP, both being Independent Third Parties, respectively

"Morimatsu Process Equipment"	Shanghai Morimatsu Process Equipment Engineering Co., Ltd (上海森松工藝裝備工程有限公司), a company established in the PRC with limited liability on 15 June 2007, which was deregistered on 3 August 2018 and ceased to be a subsidiary of our Company
"Morimatsu Seiki"	Shanghai Morimatsu Seiki Co., Ltd (上海森松精機有限公司), a company established in the PRC with limited liability on 24 September 2019, which is wholly owned by Morimatsu Industry
"Morimatsu Solar Technology"	Shanghai Morimatsu Solar Technology Equipment Co., Ltd (上海森松新能源設備有限公司) (formerly known as Shanghai Symex Morimatsu Mixing Equipment Co., Ltd. (上海賽姆森松攪拌設備有限公司)), a company established in the PRC with limited liability on 12 February 2007, which is owned as to 80% and 20% by Morimatsu Seiki and Senhe Investment, respectively
"Morimatsu Technology"	Morimatsu Research Institution Company Limited (株式會社森松総合研究所) (formerly known as Morimatsu Technology Service Co., Ltd (森松テクノサービス株式会社)), a company incorporated in Japan with limited liability on 25 February 1996, which is wholly owned by Morimatsu Industry
"Mr. Matsuhisa Terumoto"	Mr. Matsuhisa Terumoto (松久晃基), a non-executive Director, our Chairman, one of our Controlling Shareholders, and brother of Mr. Matsuhisa Hiroyuki
"Mr. Matsuhisa Hiroyuki"	Mr. Matsuhisa Hiroyuki (松久浩幸), one of our Controlling Shareholders, and brother of Mr. Matsuhisa Terumoto
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to 37,500,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to cover over-allocations in the International Placing (if any) as further described in the section headed "Structure of the Global Offering" in this prospectus
"Pharmadule India"	Pharmadule Engineering India Private Limited, a company incorporated in India with limited liability on 15 May 2017 and an indirect wholly-owned subsidiary of our Company
"Pharmadule Sweden"	Pharmadule Morimatsu AB (formerly known as "Goldcup 6476 AB"), a company incorporated in Sweden with limited liability on 3 March 2011 and a direct wholly-owned subsidiary of our Company
"Pharmadule US"	Pharmadule Morimatsu Inc., a company incorporated in the United States with limited liability on 30 June 2011 and an indirectly wholly-owned subsidiary of our Company
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by our Company on 10 February 2021, a summary of the principal terms of which is set out in the section headed "Statutory and General Information — D. Other Information — 2. Post-IPO Share Option Scheme" in Appendix VI to this prospectus
"PRC Legal Advisers"	Jingtian & Gongcheng, the legal advisers to our Company as to the laws of the PRC
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on 1 July 2020, a summary of the principal term of which is set out in the section headed "Statutory and General Information – D. Other Information – 1. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus

"Price Determination Agreement"	the agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
"Price Determination Date"	the date, expected to be on or about 5 March 2021, and in any event not later than 9 March 2021, on which the Offer Price is fixed for the purpose of the Global Offering
"Primary Sanctioned Activity"	any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction (if applicable) or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
"Relevant Jurisdiction"	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purpose of this prospectus, the Relevant Jurisdictions include United States, European Union, United Nations and Australia
"Relevant Persons"	the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares
"Relevant Regions"	Balkans (Greece), Egypt, Iraq, Russia (excluding Crimea region) and Turkey
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this prospectus

"Research Institution"	Morimatsu Research Institution Company Limited (株式會社森松綜合研究所), a company incorporated in Japan with limited liability on 26 August 1994, which was wholly owned by Morimatsu Industry. In November 2015, Morimatsu Technology merged with Research Institution by absorption, and Research Institution was dissolved
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Saima LLP"	Shanghai Saima Corporate Consulting Management Partnership Enterprise (LLP) (上海賽瑪企業諮詢管理合夥企業(有限合夥), a limited partnership enterprise established in the PRC on 12 March 2020, the general partner of which is Shanghai Saima Science and Technology Service Company Limited (上海賽瑪科技服務有限公司), a company owned by two employees of Morimatsu Pressure Vessel in equal share, and the remaining 17 limited partners of which are other employees of Morimatsu Pressure Vessel
"Sanctioned Country" or "Sanctioned Countries"	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, currently Cuba, Iran, North Korea, Syria, and the Crimea Region of Russia/Ukraine
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"Secondary Sanctionable Activity"	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
"SEK"	Swedish Krona, the lawful currency of Sweden

"Senhe Investment"	Shanghai Senhe Investment Co., Ltd (上海森和工程投資有限公司), a company established in the PRC with limited liability on 10 November 2008, which is aggregately owned by 15 individual shareholders (all being employees of Morimatsu Pressure Vessel)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Share(s)"	the ordinary share(s) in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sinolink" or "Sole Sponsor"	Sinolink Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities, being the sole sponsor of the Global Offering
"Stabilising Manager"	Sinolink Securities (Hong Kong) Company Limited
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager and Morimatsu Industry pursuant to which Morimatsu Industry will agree to lend up to 37,500,000 Shares to the Stabilising Manager on the terms set forth therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

"Tap Mate"	Tap Mate Limited (結添有限公司), a company incorporated in Hong Kong with limited liability on 30 June 1989, which is wholly-owned by Morimatsu Industry
"Track Record Period"	the three years ended 31 December 2019 and the nine months ended 30 September 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	the United States of America
"USD" or US dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**WHITE** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

The English names of the PRC entities mentioned in this prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Translated English names of Japanese natural persons, legal persons, government authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purpose only.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"3D scanning"	use laser technology to scan and survey the project site
"4D simulation"	present the equipment model and installation steps through the software platform to facilitate the design and modification of related processes
"AI"	use Artificial Intelligence technology to complete product design, data decision-making, content testing, equipment testing, product testing, etc. in manufacturing industry
"ASME"	American Society of Mechanical Engineers
"digital installation"	apply digital management to the production process and components through software and information technology
"digital twin"	realise the virtual display of actual production data and scenes through software
"dwt"	the deadweight of a ship expressed in metric tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
"end to end"	a complete functional service including module design, delivery, transportation, site installation, commissioning and qualification
"EXW"	EX works, means the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place not cleared for export and not loaded on any collecting vehicle
"Factory Acceptance Test (FAT)"	a testing procedure which takes place prior to delivery to ensure the equipment operates according to contractual specifications and functional requirements
"FOB"	free on board, means the seller delivers when the goods pass the ship's rail at the named port of shipment

"GMP" or "Good Manufacturing Practice"	the practices required in order to conform to the guidelines recommended by agencies that control the authorisation and licensing of the manufacture and sale of food and beverages, cosmetics, pharmaceutical products, dietary supplements, and medical devices
"heat exchanger"	heat exchangers are pressure vessels mainly used to transfer heat from hot fluid to cold fluid
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control
"personal care chemical"	the chemical products for personal care, mainly including soap, detergent, cosmetics and oral cleaning products
"reactor"	reactors are pressure vessels mainly used to perform reaction procedures of single-phase and multi-phase
"remote inspection platform"	a software platform which assists to complete product review, inspection, and acceptance online through Internet technology
"tank"	tanks are pressure vessels mainly used to contain liquid or gas materials
"tower"	towers are pressure vessels mainly used to perform physical processes such as separation or absorption and change the composition of mixtures of gases or liquids
"validation service" or "validation"	our validation services comprise validation consultancy services, validation testing services, and training services to help clients' project compliant with relevant GMP regulations
"virtual reality design"	use virtual reality technology to help complete the design work intuitively

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "consider", "estimate", "going forward" and similar expressions or statements and the negative of these words to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plans of operations and our operation and business prospect;
- our capital expenditure and funding plans;
- general economic conditions;
- capital market development;
- the future developments and competitive environment in our industry;
- our financial condition;
- certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes and operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment of our industry in general; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus.

The Global Offering and the investment in our Shares involve certain risks. You should carefully consider all the information set out in this prospectus, including, but not limited to, the risks and uncertainties described in the following risk factors when considering making an investment in our Shares being offered in the Global Offering. Our operations involve certain risks, many of which are beyond our control. You should also pay particular attention to the fact that our business is mainly located in the PRC and we are governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. Our business, results of operation and financial condition could be adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of these risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Most of our sales are project based, and we may not have recurring business and we may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period

We provide traditional pressure equipment and modular pressure equipment to customers mainly on a project basis in various downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. The average useful life of our products provided to the customers ranges from approximately 10 years to 20 years. As such, our revenue may not be recurring in nature, and we may not be able to maintain our revenue and gross profit margins at the levels recorded during the Track Record Period. We have experienced fluctuations in gross profit margin during the Track Record Period. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our gross profit margin from Continuing Operations of our traditional pressure equipment were approximately 11.6%, 20.9%, 22.8% and 30.9%, respectively, and the gross profit margin from Continuing Operations of our modular pressure equipment were approximately 20.8%, 19.7%, 18.3% and 24.5%, respectively. Also, the number and size of the projects we undertake in any particular period is determined by the business plans of the project owners, over which we have no control. While we have maintained well-established relationships with our customers, we cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing projects. We have to go through a competitive tendering or quotation process to secure most of our new projects. In the event we are unable to maintain business relationship with our existing customers, our existing customers have no expansion plans, or we are unable to price our tender or quotation competitively, our business and hence our revenue and/or our gross profit margin will be adversely affected. It is critical to our Group to secure new projects of similar or larger contract sum on a continuous basis, and should we fail to do so, our financial performance will be adversely affected.

We depend on a stable and adequate supply of quality raw materials and consumables which are subject to price volatility and other risks

Our cost of sales mainly consists of cost of raw materials and consumables used. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our total cost of raw materials and consumables used amounted to approximately RMB738.9 million, RMB1,328.2 million, RMB1,510.1 million and RMB926.3 million, representing approximately 57.4%, 67.9%, 67.9% and 64.6% of our total costs of sales of Continuing Operations, respectively. We purchased most of our raw materials from local suppliers in the PRC. If we are unable to source raw materials in the quantities and of a quality that we require or at commercially acceptable prices, our production schedule, quality of products and profit margins may be adversely affected. In addition, raw materials used in our production are subject to price volatility caused by external conditions that are beyond our control, such as market supply and demand, commodity price fluctuations, currency fluctuations, changes in governmental policies and natural disasters. Our ability to pass increased raw materials costs on to our customers may be limited by competitive pressure.

In addition, most of our revenue was derived from fixed-price contracts during the Track Record Period. Under these contracts, we executed our projects at a fixed contract price and as a result, we may be unable to recover any raw material cost overruns. Since we usually make raw material procurement arrangements with suppliers after we have entered into the relevant contracts with our customers, in which the price of the raw materials are usually set out, we generally would not be able to pass on any increase in raw material costs to our customers if we experience an unexpected increase in material costs during the period from signing of a sales contract to placing the relevant purchase order with our suppliers. Thus, we cannot assure you that we will be able to raise the prices of our products sufficiently to cover increased costs resulting from increases in the cost of our raw materials or overcome the interruption of sufficient supply of qualified raw materials for our products. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability.

Any material disruption to our production bases may materially and adversely affect our business

We have two production bases located in Shanghai and Nantong, the PRC. During the Track Record Period, save for certain processing works, such as pressure equipment head forming (封頭壓制) and machining (機加工), that were outsourced to our sub-contractors, we conducted most of the manufacturing works of our products at our own production bases. Smooth and consistent daily operations of our production facilities are crucial to our business. Regular repair and maintenance programmes for our production facilities are scheduled by our production department to ensure that our production facilities are in good conditions. There is no assurance that we are able to discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm is caused to our plant, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunctions or halts of our production facilities during our daily operations due to any natural disasters, power shortage or malicious human acts. A prolonged disruption in the operations of our production facilities may adversely affect our business, financial condition

and operating results. Our operations are vulnerable to interruptions by war, riot, fire, earthquake, epidemic, power blackout and other events beyond our control. Any material disruption at our production bases, even for a short duration, could result in decrease in production capacity for a sustained period and delays in deliveries of our products, which could adversely affect our business operations.

Maintaining our trusted brand image is critical to our success, and any failure to do so could severely damage our reputation and lead us to negative publicity

We have a well-established operating history and strong recognition of our brands "Morimatsu" and "Pharmadule". Since our inception, we built our renowned brand name "Morimatsu" leveraging the reputation of Morimatsu Industry. With continuous efforts, we have achieved rapid development and established a strong position in the PRC and gradually reach out to the global pressure equipment industry. In 2011, we also started building the brand name "Pharmadule", which was well recognised in design and sale of modular pressure equipment in pharmaceutical industry.

Brand image is particularly important to us as it enhances our relationships with our customers, so that we are able to secure more projects in the competitive tendering or quotation process. Moreover, we believe that our business growth depends heavily on the public perception of our brand and we anticipate that we will continue to rely on our brand in our future business. If we fail to promote our brand or to maintain or enhance the brand recognition and awareness amongst our customers, or if we are subject to events or negative allegations affecting our brand image or publicly perceived position of our brand, our business, operating results and financial condition could be adversely affected. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our products, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

Any trade or import protection policies may materially and adversely affect our business

We manufactured pressure equipment at our production bases in the PRC. We not only sold the pressure equipment in the PRC, but also sold the pressure equipment to overseas markets, mainly including North America, Europe and Southeast Asia. Our sales to the United States are subject to U.S. customs duties. The revenue derived from the U.S. for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 accounted for approximately 30.3%, 17.4%, 14.4% and 4.8% of our total revenue from Continuing Operations, respectively. The increased tension and ongoing trade negotiations between the PRC and the United States may adversely affect our business, financial condition and results of operations. For example, in previous years, the United States has introduced a number of additional customs duties at different rates on various goods imported from China. In 2018 and 2019, the U.S. government imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US$185 billion worth of U.S. products. On 15 January 2020, the United States and the PRC governments signed the U.S. China Economic and Trade Agreement (the "Phase I Agreement"). Subsequent to the signing of Phase I Agreement, the

PRC government and the U.S. government adopted specific measures to exclude imports from the other country from additional tariffs. In the second half of 2020, the United States announced several batches of product exclusions from 25% tariffs until 31 December 2020, mainly including certain equipment such as electric gas monitors, electric motors; certain textile products and plastic products, etc. The trade war created substantial uncertainties and volatilities to global markets.

Our sales to North America decreased sharply from approximately RMB339.0 million for the nine months ended 30 September 2019 to approximately RMB104.3 million for the nine months ended 30 September 2020 primarily due to an additional 25% tariff on certain of our products imposed by the U.S., which in turn reduced the competitiveness of our products in the U.S. The majority of our sales to North America was contributed by our sales to the U.S. We cannot assure you that our sales to North America, in particular the U.S., will not be affected if the trade tension between the PRC and the United States remains and it is uncertain whether any further action will be taken. Due to market competition or factors beyond our control, such as market slowdown, we may experience a reduction of sales orders and our business, financial and results of operation may be material and adversely affected. We have mitigated and plan to continue mitigating the impacts arising from the increased customs duties on our cost of sales by certain measures. However, these mitigation measures may involve additional costs, diversion of resources and management attention as well as external economic conditions.

In addition, the deterioration in the relationship between China and the United States, which has resulted in intense potential conflicts between the two countries in trade, technology, finance and other areas, has led to greater uncertainties in the geopolitical situations in other parts of the world affecting China and Chinese companies. For example, export controls, economic and trade sanctions have been threatened and/or imposed by the U.S. government on a number of Chinese technology companies. For instance, in 2019 and 2020, the U.S. government announced several executive orders and regulations effectively barring American firms from selling, exporting, re-exporting, or transferring U.S.-origin technology, components and software, among other items, to certain Chinese technology companies. Although we are not a technology company and such restrictions targeting Chinese technology companies have not had any material impact on our business operations as at the Latest Practicable Date, we cannot assure the United States would not impose similar restrictions targeting companies in the pressure equipment industry in the future. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the supplies we procured from the United States amounted to approximately RMB57.3 million, RMB164.1 million, RMB110.2 million, and RMB65.9 million, respectively. Although the amount of supplies we procured from the United States represented a small portion of our total purchases during the Track Record Period, and the supplies we procured from the United States, such as ball valve (球閥), nickel alloy plate (鎳合金板材) and nickel alloy pipe (鎳合金管子), are easily to be procured in other countries, we cannot assure you any trade restrictions or export and import controls imposed by the United States on the pressure equipment industry would not have adverse impact on our business and financial results.

In addition to the PRC and the United States, we have sold our products to a large number of other countries and derive considerable sales from exporting to them. Foreign policies of the United States tend to be followed by certain other countries, and those countries may adopt similar policies in their relationships with China and the Chinese companies. In the event that any of these countries impose trade sanctions on the PRC, or enforce import restrictions or customs duties in relation to our products, our business and operations may be adversely affected.

On the other hand, in September 2020, MOFCOM issued the Provisions on the Unreliable Entity List (《不可靠實體清單規定》) (the "UEL Provisions"). The UEL Provisions establish formal mechanisms for sanctioning specific foreign entities and individuals for conduct inconsistent with the Chinese government's core interests and policies. As at the Latest Practicable Date, the relevant competent authority has not yet issued any announcement to include any foreign entity in the list of unreliable entities. Therefore, no foreign entities have yet been formally included in the unreliable entity list. As such, none of our customers are included in the unreliable entity list. The UEL Provisions authorise a broad spectrum of sanctions on designated foreign entities, which may include restrictions or prohibitions on the foreign entity's China-related import or export activities. In the event that any of our overseas customers are included in the unreliable entity list, our transactions with such blacklisted entities may be subject to the restrictions imposed by the Chinese government or may be banned completely, which in turn may affect our business and results of operations.

In the event that the Chinese government and/or the U.S. government impose customs duties, trade restrictions or other trade barriers affecting the importation of our traditional pressure equipment and modular pressure equipment, our business and operations may be materially and adversely affected. In addition, major political issues such as the United Kingdom's withdrawal from the European Union may also add to turbulence in international trade which may in turn affect our business.

The discontinuation of the preferential tax treatment for High Technology Enterprises or government grants currently available to us in the PRC or other unfavourable changes in tax law or government grant policy could result in additional tax obligations and expenses

Our subsidiaries, Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry, obtained the certificate of High Technology Enterprises in 2009 and 2014 for the first time, respectively, and currently hold the certificate of High Technology Enterprises and are entitled to a preferential income tax rate of 15% on their taxable income, respectively. The qualification of Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry as High Technology Enterprises is currently valid through November 2018 to November 2021 and December 2018 to December 2021, respectively. We intend to apply for renewal of such qualification thereafter but there is no assurance that our application will succeed. The High Technology Enterprises qualification is re-assessed by the relevant authorities every three years, and standard of the assessment may be changed. In the event that this preferential tax treatment is discontinued, these subsidiaries will become subject to a 25% standard enterprise

income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability. Our business and financial performance could also be adversely affected by unfavourable changes in or interpretation of existing, or promulgation of new tax laws or regulations applicable to our business. And any unfavourable changes in tax law could result in additional tax obligations and expenses.

In addition, we received government grants in the amount of approximately RMB15.1 million, RMB12.4 million, RMB8.2 million and RMB8.0 million for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, as encouragement for research and development, employment stabilisation and contribution to local economy. The amounts of and conditions attached to such government grants were determined at the sole discretion of the relevant PRC authorities. We cannot assure you that we will continue to receive such government grants or that the amount of any such government grants will not be reduced in the future. Even if we continue to be eligible to receive such government grants, we cannot guarantee that any conditions attached to the grants will be as favourable to us as they have historically been. Reduction or discontinuation of these government grants could adversely affect our financial condition and results of operations.

We recorded net current liabilities as at 31 December 2019 and 30 September 2020

Our financial position changed from net current assets of approximately RMB217.7 million as at 31 December 2018 to net current liabilities of approximately RMB212.3 million as at 31 December 2019. Such change was primarily attributable to (a) the Demerger in 2019; (b) the increase in interest-bearing borrowings mainly due to the reclassification of our borrowings from non-current liabilities to current liabilities, which were borrowed from related parties and matured within one year as at 31 December 2019; and (c) the increase in contract liabilities mainly due to more advance payment made by our customers, partially offset by the increase in inventories mainly attributable to the increase in work in progress resulting from the increased number of projects we worked on as at 31 December 2019. Our net current liabilities decreased to approximately RMB36.3 million as at 30 September 2020, mainly attributable to (i) the decrease in contract liabilities mainly as a result of the subsequent settlement of contract liabilities recorded for three of our customers; and (ii) the decrease in trade and other payables mainly due to the decrease in trade payable to our raw material suppliers, partially offset by the decrease in inventories mainly reflected by the decrease in work in progress as a result of the delivery of a few purchase orders with relatively large contract value close to completion as at 31 December 2019. For more details, please refer to the section headed "Financial Information — Current Assets and Current Liabilities" in this prospectus. We cannot assure you that we will not record net current liabilities in the future. Net current liabilities expose us to liquidity risks. Our future liquidity, the payment of trade and other payables and repayment of borrowings as and when they become due will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

Our financial position is affected by our ability to collect trade receivables in a timely manner and to otherwise obtain adequate financing to fund our operations.

We face credit and liquidity risks attributable to our trade receivables and contract assets due from our customers. As at 31 December 2017, 2018 and 2019 and 30 September 2020, our trade and other receivables were approximately RMB531.7 million, RMB949.0 million, RMB585.0 million and RMB529.2 million, respectively. We have experienced fluctuations in our trade debtor, bills receivables and contract assets turnover days. Our trade debtor, bills receivables and contract assets turnover days decreased from approximately 125 days for the year ended 31 December 2017 to approximately 102 days and 100 days for the years ended 31 December 2018 and 2019, respectively, and further decreased to approximately 90 days for the nine months ended 30 September 2020. We cannot assure you that our trade debtor, bills receivables and contract assets turnover days will not increase, and there is no assurance that our customers, especially our five largest customers, will pay us on time or at all or whether any of them will fall into financial difficulties, thereby affecting their ability to pay us. If significant amounts due to our Group are not settled on time or at all, our financial condition may be materially adversely affected, which will in turn affect our business operations. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

Third parties may infringe upon our intellectual property rights, or we may be subject to claims of alleged infringement on the intellectual property rights of others

We use various intellectual property rights, including patents and trademarks, in our daily business. At present, we have obtained trademark and patents registrations for our principal products and know-how that have already been marketed. We rely on trademark, patent, domain names and trade secret protection laws and confidentiality agreements with our employees, customers and other stakeholders to protect our intellectual property rights. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for these breaches. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in confidentiality agreements in the PRC or elsewhere.

Our intellectual property is exposed to theft and other forms of misappropriation. In particular, the legal protection to trademarks, trade names, copyrighted materials, domain names, trade secrets, know-how and other forms of intellectual property in the PRC is limited and less effective as compared to many other countries. Preventing unauthorised use of our intellectual property is therefore difficult, time consuming and expensive, yet yielding limited and uncertain results. Misappropriation of our intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate litigation that could be expensive, time consuming and require us to divert management resources from the operations of our business.

On the other hand, there is no assurance that infringement claims against us from third parties will not occur. We may be subject to legal proceedings and claims from time to time alleging infringement of copyrights, trademarks or patents, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may involve us in time consuming and costly litigation or

investigation, divert significant management and staff resources, require us to enter into expensive royalty or licensing arrangements, prevent us from using important technologies, business methods, content or other intellectual property, result in monetary liability, prevent us from distributing our products through the use of injunctions or other legal means, or otherwise disrupt our operations.

Failure to obtain or renew licences, certificates and permits required in the manufacturing of our traditional pressure equipment and modular pressure equipment could adversely affect our business, financial condition, results of operations and prospects

We possess necessary licences, certificates and permits that are material to the manufacturing of our traditional pressure equipment and modular pressure equipment for the operation of our business. As our pressure equipment is applied in various countries, to conform with the relevant industry standards, we are also required to obtain various industrial licences/certificates issued by relevant accrediting institutions in both the PRC and overseas, including Licence for Production of Special Equipment (Pressure Pipeline Design) (中華人民共和國特種設備生產許可證), Licence for Installation of Special Equipment (Pressure Pipeline Design) (中華人民共和國特種設備安裝許可證), EN1090 Accreditation Certificate, and EN ISO3834-2 Accreditation Certificate, Certificate of Authorisation U2 and Certificate of Authorisation U (authorised by ASME). Please see the section headed "Regulatory Overview" in this prospectus for more details. However, there is no assurance that we will be able to obtain our licences, certificates and permits or renew such licences, certificates or permits upon their expiration. In addition, the eligibility criteria for these licences, certificates, and permits may change from time to time and additional licences, certificates and permits may be required and higher compliance standards may have to be observed. In the event of the introduction of any new laws and regulations or changes in the interpretation of any existing laws and regulations that increase compliance costs for us or prohibit or make it more expensive for us to continue with the operation of any part of our business, our business, financial condition and results of operations may be materially and adversely affected.

Our research and development efforts may not yield the anticipated benefits for our Group. If we fail to develop or adopt new technologies and offer products and/or services that meet the changing market demands in a timely manner, we may lose business opportunities to our competitors

The industries of our customers, including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries, are constantly evolving and the technology required for our products utilised in such industries are ever-changing. To cater for such changes in the industries of our customers, it is important that we keep ourselves up-to-date with market trends and adapt accordingly by developing or implementing the latest technologies into our products and/or services on a timely basis. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, we incurred approximately RMB87.2 million, RMB120.7 million, RMB126.1 million and RMB74.9 million in research and development, accounting for approximately 5.6%, 4.9%, 4.5% and 3.7% of our revenue from Continuing Operations, respectively.

On the other hand, responding and adapting to technological developments and changing customer needs may require us to invest substantial resources, time and capital. If we are unable to keep up with new technological advancements in the industries of our customers, or offer products and/or services that can satisfy our customers' requirements, our ability to expand our customer base and business may be adversely affected and we may lose projects and other business opportunities to our competitors. All of the above may ultimately affect our business, financial condition, results of operations and prospects adversely.

Moreover, we cannot assure that our research and development activities will be successful or will yield the anticipated benefits. Even if such research and development activities have successful outcomes, we may not be able to integrate the results of our research to our business operations in a timely manner to take advantage of the market opportunities available. Market demand anticipated at the initial stages of our research and development cycle may not materialise by the end of the cycle and the benefits that may be reaped from such newly developed technologies and/or products may be affected by replication of such technological and/or products by our competitors. Technologies and/or products developed may also be rendered obsolete by new products, newer models of existing products, or new technologies developed by our competitors.

Our Group is exposed to risks of obsolete and slow-moving inventory which may adversely affect our financial position

Our Group had inventory of approximately RMB397.9 million, RMB822.7 million, RMB1,132.5 million and RMB915.7 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. The Group's average inventory turnover days were approximately 127 days, 112 days, 158 days and 195 days for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. The amounts of inventory provision and onerous contract provision recognised as cost of sales and included in profit or loss by our Group during the Track Record Period were approximately RMB39.0 million, RMB9.8 million, RMB21.6 million and RMB12.9 million for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively.

As mentioned in the section headed "Business — Major Customers" in this prospectus, our Group enters into contracts with our customers on a project basis, and the delivery of our products is subject to factory acceptance testing and subsequent adjustments to the satisfaction of our customers. While we have maintained well-established relationships with our customers, there is no assurance that our customers will not terminate the contracts before the contract is completed or all of our products will be accepted by our customers after completion of acceptance check owing to our customers' own commercial reasons, such as financial position and business strategy. In the event that our customers decide to cancel the contracts during the process of our production or refuse to accept our products, our Group's inventory, in particular, the work-in-progress, would become obsolete and slow-moving. Our Group may need to either write-off such inventory directly or sell such inventory at a lower price. In either event, the Group's financial position and results of operations may be materially and adversely affected.

Our insurance coverage may not be sufficient to cover the risks associated with our business operations and we are subject to financial and reputational risks due to product quality and liability issues

Our business operations involve inherent risks and occupational hazards which cannot be completely eradicated through implementation of preventive measures. For instance, workplace accidents, which may result in property damage, physical injuries or even fatalities, may still occur at our production facilities or at our customers' site despite preventive measures being taken. Furthermore, given the wide international customer base of our business and hence the various different working environments, we may be subject to the occurrence of certain unforeseeable incidents such as earthquakes, fire, severe weather, war and floods. Even though we maintain various insurances including property insurance covering risks of physical loss, destruction or damage to the inventory of our products and fixed assets, employer's liability insurance, public liability insurance, and transportation and logistics insurance, we cannot assure that our current insurance policies are sufficient to cover all the risks associated with our business operations. Any uninsured losses or damages to, among others, our property and/or reputation, may cause our Group to incur substantial costs which could materially and adversely affect our business, financial condition and results of operation.

We are also exposed to risks associated with product liability claims if the use of our products results in damage or injury. With respect to our products, we have maintained product liability insurance. We cannot assure you that future changes of the rules and regulations in the PRC and the overseas jurisdictions where we export to in relation to our products will not impose costly compliance requirements on us or otherwise subject us to future liabilities. We cannot assure you that product liability claims against us will not arise in the future, whether due to product malfunctions, defects or other causes, which may or may not exceed our insurance coverage. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

We rely on information systems in managing our operations and any system failures or deficiencies of our information systems may have an adverse effect on our business, financial conditions and result of operations

We depend on the capabilities of our information systems to process and store our business and operate data on a timely and accurate basis. The proper functioning of our financial control, risk management, credit analysis and reporting, accounting, customer service and other information systems are critical for us to conduct our business in an orderly manner and to increase our competitiveness. Our business activities could be materially disrupted if there is a partial failure or complete breakdown of any of our information systems. Such failure can be caused by a variety of reasons, including natural disasters, extended power outages, accidental power failures, breakdown of key hardware and systems, software

malfunction and computer viruses. The proper functioning of our information systems also depends on accurate and reliable data input and installation of ancillary systems, which are subject to error.

Our competitiveness will to some extent depend on our ability to upgrade and optimise our information systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information systems may not be timely or sufficient for us to manage risks and prepare for, and respond to, market changes and other developments in our current operating environment. Any failure to improve or upgrade our information systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

Our plan to enhance production capacity may not be successful and such plan may result in significant increase in our costs and expenses

To support our growing operations, we intend to enhance our production capacity by building four new production workshops at our Nantong production base and by building new workshops on a land parcel adjacent to our Nantong production base. We cannot assure you that our expansion plan will be completed as scheduled, or at all. If we are unable to obtain government approvals for any reason, or if we encounter unforeseen difficulties in the course of the construction, the construction may be significantly delayed and we may not be able to complete the new production workshops. Any failure or delay in implementing any parts of our plan may result in a lack of production capacity to support our growth, which could materially and adversely affect our business, financial condition and results of operations. Our plan to expand our production capacity is also subject to the following risks: (i) our actual production volume may vary depending on the demand for our products, subject to factors that are beyond our control such as market trend and customers' preferences. The demand for our products and revenue to be generated may not increase in line with our increase in production capacity; and (ii) we expect to incur additional direct labour costs, capital expenditure and depreciation costs in connection with the expansion plan. We cannot assure you that our future growth will correspond to our expansion of production capacity. If we incur significant costs in connection with our expansion plan but our future growth does not meet our expectation, our business, financial condition and results of operations could be materially and adversely affected.

We engage sub-contractors to manufacture a portion of our production process. If the production process work conducted by our sub-contractors are not satisfactory or we encounter issues with them, our business and results of operations could be materially and adversely affected

During the Track Record Period, we outsourced the production of a portion of production processing work, such as pressure equipment head forming (封頭壓制) and machining (機加工), to sub-contractors. We may experience operational difficulties with our sub-contractors, including reductions in the availability of production capacity, failure to comply with our product specifications, insufficient quality control, failure to meet our production deadlines, increases in manufacturing costs and longer lead time. Our sub-contractors may also

experience disruptions in their manufacturing operations due to equipment breakdowns, labour strikes or shortages, natural disasters, raw material shortages, cost increases, violation of environmental, health or safety laws and regulations, or any outbreak of epidemics such as the outbreak of COVID-19. Therefore, we cannot assure you that our sub-contractors will deliver products to us in a timely manner or are of satisfactory quality. In addition, there is no assurance that our sub-contractors will continue to work with us on similar terms or at all in the future, or that they will have sufficient resources to meet our demand at all times. If the performance of our sub-contractors is not satisfactory, or our sub-contractors decide to substantially reduce the production capacity available to us, to increase the prices of products or to terminate their business relationships with us, we may need to find replacement sub-contractors or take other remedial actions, which could increase the cost and lengthen the production time of our finished products. Furthermore, although our agreements with our sub-contractors contain confidential obligations, and we have adopted security protocols to ensure knowhow and technologies for manufacturing our products could not be easily leaked or plagiarised, we cannot guarantee the effectiveness of these efforts and, any leakage or plagiary of our knowhow and technologies could be detrimental to our business prospects and results of operations.

There is no assurance that we will always be able to successfully enforce the non-competition and non-solicitation undertakings contained in the employment contracts of our Directors and staff

Despite the non-competition and non-solicitation undertakings contained in the employment contracts of our Directors and staff, there is no assurance that they will be enforceable and our Directors and staff will not, upon termination of employment with us, engage in business activities that compete, whether directly or indirectly, with our business or solicit our customers. In circumstances where our former or existing Directors and staff engage in competing business activities or solicit our customers, and if we are unable to enforce the relevant non-competition or non-solicitation undertakings, our business, results of operations and financial conditions may be adversely affected.

Failure to renew existing leases, breach of existing lease agreements or increase in rental expenses could materially adversely affect our business and results of operations

Apart from the premise for our Nantong production base which is self-owned, all of our premises are leased properties, including our production base in Shanghai. There is no assurance that we will successfully renew the tenancy agreements for the relevant leased premises on commercially acceptable terms, or at all. There is also no assurance that such tenancy agreements will not be terminated before their expirations due to the lessors' lack of title to lease the properties or our breach of major lease terms. If it happens, we need to relocate to other premises, which may incur additional costs. We cannot ensure that our premises relocation will meet our expectation or if there is adverse change in the characteristics of the surrounding area after we commenced operation, resulting in a fall in revenue. In addition, we need time to relocate our leased premises, especially our production base in Shanghai, and therefore our manufacturing plan may be delayed or disrupted which could in turn have a material adverse effect on our business and results of operations.

We may be subject to fines due to the lack of registration of our leases

We lease premises in various places as our production bases and offices to carry out our operations. As at the Latest Practicable Date, six of our onshore lease agreements entered into with Independent Third Parties in relation to our production bases and offices had not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect its validity. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the specified time. For details, please refer to the section headed "Business — Properties — Leased Properties — Lease registration" in this prospectus.

Our failure to retain our senior management team and experienced technical personnel may materially and adversely affect our business operation, financial condition and growth prospects

We believe that our continued success and growth depends, to a large extent, on our ability to attract and retain the services of our senior management team as well as experienced and qualified technical personnel, who possess the technical knowledge and are familiar with the industries that our products and/or services serve. For instance, our executive Directors, namely Nishimatsu Koei (西松江英), Tang Weihua (湯衛華), Sheng Ye (盛曄) and Kawashima Hirotaka (川島宏貴), have around 21 to 29 years of experience in the pressure equipment industry. For details, please refer to the section headed "Directors and Senior Management" in this prospectus. We cannot assure that we would be able to retain the services of our senior management and/or key technical personnel, or attract and retain high-quality personnel, in the future. If any member of our senior management and/or key technical personnel leaves our Group, we may not be able to recruit a suitable replacement with comparable experience and qualifications on a timely basis, which may adversely affect our business operations, financial condition and growth prospects. We also cannot assure that our departed technical personnel will not disclose our patented technology to our competitors. We may lose competitiveness as a result.

Our results of operations may be affected by backlog which is subject to unexpected adjustment and cancellations

Backlog in our business represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of future results of operations. For further details, please refer to the section headed "Business – Backlog and New Contract Value – Backlog". As at 30 September 2020, the aggregate contract value (excluding value added tax and other taxes) of our project backlog was approximately RMB3,588.0 million. However, this figure is based on the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a substantial and immediate effect on our backlog. Hence, we cannot guarantee that the amount estimated in our backlog will be realised in full, in a timely manner, or even if it is realised, such backlog will result in profits as expected.

We may not be able to recover the full amount of contract assets and our liquidity and financial position may be material adversely affected

Our contract assets mainly represent our right to consideration for work completed but not billed because such right remains subject to our future performance in achieving specified milestones stipulated in the relevant project contracts. As at 31 December 2017, 2018 and 2019 and 30 September 2020, our contract assets were approximately RMB99.9 million, RMB85.8 million, RMB150.2 million and RMB209.9 million, respectively. For further details, please refer to "Financial Information — Description of Selected Items of the Combined Statements of Financial Position — Contract Assets" in this prospectus.

We cannot assure you that the financial position of our customers will remain solvent or that we will be able to recover our contract assets in full or at all in the future. If we are unable to do so, our liquidity and financial position may be materially and adversely affected.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position

Our contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided. As at 31 December 2017, 2018 and 2019 and 30 September 2020, we had contract liabilities of approximately RMB621.7 million, RMB1,162.8 million, RMB1,264.1 million and RMB1,025.3 million, respectively. For further details, please refer to "Financial Position - Description of Selected Items of the Combined Statements of Financial Position — Contract Liabilities" in this prospectus.

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as the completion of our commissioning work is subject to various factors, including the supply of raw materials and consumables and normal operations of our production bases. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognised as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We are subject to the risks of foreign currency fluctuations and the exposure to foreign exchange forward contract risk

Given that our business operations are mainly based in the PRC, most of our revenue is denominated in RMB which is our functional and reporting currency. We mainly source our raw materials locally and settle payments with our suppliers in RMB. However, our sales and purchases, or loans and borrowings outside PRC give rise to receivables, payables and cash balances that are denominated in foreign currencies such as US dollar, Euros, Japanese Yen, Hong Kong dollar, Indian Rupee, and SEK. As we use both RMB and foreign currencies such as US dollar, Euros, Japanese Yen, Hong Kong dollar, Indian Rupee, and SEK for our business operations, we are inevitably exposed to the risk of foreign currency fluctuations especially, at

present, RMB is not fully convertible. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, we had net foreign exchange losses of approximately RMB7.0 million, RMB12.9 million, RMB11.9 million and RMB18.6 million, respectively. We cannot assure that the exchange rate of RMB will remain stable against foreign currencies such as US dollar, Euros, Japanese Yen, Hong Kong dollar, Indian Rupee, and SEK in the future. Any significant movement of exchange rates of foreign currencies against RMB may significantly affect our financial condition and results of operations. For example, if the exchange rate of RMB fluctuates, this may result in foreign exchange losses and hence may adversely impact our business, financial condition and results of operations.

To hedge our foreign currency exposure, we had entered into forward foreign exchange transactions in 2018 to sell a total amount of US$3.3 million at respective value dates in 2019 at respective rates of USD to RMB. The purpose of the forward foreign exchange transactions was to hedge our foreign currency exposure by fixing the exact amount of Renminbi we would receive for the sale of our US dollar upon maturity. Our management will consider to enter into any suitable hedging transactions taking into account various factors such as global economic conditions, the demand and supply of a commodity or currency and relevant currency policies. However, there is no assurance that the hedging transactions we enter into can fully and effectively mitigate our foreign currency exposure.

We are exposed to fair value changes for financial assets and financial liabilities measured at fair value through profit and loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain

During the Track Record Period, we had acquired financial assets measured at fair value through profit and loss ("**FVPL**") which were mainly bank financial products and may, from time to time, invest in such similar products in the future. As at 31 December 2017, 2018 and 2019 and 30 September 2020, our financial assets measured at FVPL amounted to approximately RMB78.8 million, RMB7.4 million, RMB5.8 million and nil, respectively. Save for the financial liabilities in respect of our forward exchange contracts of approximately RMB1.3 million as at 31 December 2018, we did not record any financial liabilities as at 31 December 2017 and 2019 and 30 September 2020.

It is our Group's financial management practice to deploy cash resources in an effective manner by making appropriate investments in short-term financial instruments that generate income without interfering with our business operations or capital expenditures. The underlying financial instruments of our bank financial products mainly include term deposits and money market funds.

Since the value of our financial assets and/or financial liabilities depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such products. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition.

The fair value of our financial assets and/or financial liabilities that are not traded in an active market is determined using valuation techniques, which require judgement and assumptions and involve the use of unobservable input, such as the expected yield of the underlying investment portfolio and discount rate. Reports with estimation of the fair values are prepared by the banks on a monthly basis. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these financial assets and/or financial liabilities. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

For the three years ended 31 December 2019 and the nine months ended 30 September 2020, we sold our products including traditional pressure equipment and modular pressure equipment directly and indirectly to customers located in the Relevant Regions. The revenue generated from such transactions related to the Relevant Regions was approximately RMB112.4 million, RMB2.8 million, RMB31.9 million and RMB74.5 million, representing approximately 7.2%, 0.1%, 1.1% and 3.7% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020, respectively. The Balkans (Greece), Egypt, Iraq, Turkey and Russia were subject to certain limited sanctions during the Track Record Period but none of them was subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction. Russia, as well as the region of Crimea, which is located in between Russia and Ukraine, has been subject to a variety of additional sanctions measures since Russia's actions and claims of sovereignty in Crimea were deemed to be illegal by the governments of many Western governments and intergovernmental organisations, including additional sanctions measures adopted by the United States in 2018 and 2019. Further, the region of Crimea is subject to comprehensive international sanctions and is within the meaning of a Sanctioned Country. While we have not conducted any business transactions in Crimea during the Track Record Period, the end customers of certain transactions were located in Russia (outside of the Crimea region). As advised by our International Sanctions Legal Advisers, our business transactions relating to the Relevant Regions during the Track Record Period did not violate the International Sanctions. However, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our

business and reputation could be adversely affected if the authorities of United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

RISKS RELATING TO OUR INDUSTRY

Global and the PRC markets for pressure equipment industry are highly competitive and subject to technological innovation, and we may be unable to compete effectively in relevant markets

We face competition from both domestic and international pressure equipment manufacturers and providers of integrated pressure equipment solutions. Our ability to compete successfully depends heavily on our outstanding manufacturing capability, strong design ability, rich customer resources, comprehensive modular solutions, full range of professional qualifications, module benefit, and innovation. Some of our competitors may have certain advantages over us, including greater financial resources, more advanced technologies, greater economies of scale, broader brand name recognition and better relationships in the market. Increasing competition may result in price and gross profit margin reduction, and loss of our market share, any of which could adversely affect our business and profitability. In addition, our competitors may in some cases be effective in causing our current and potential customers to favour their pressure equipment or prevent or reduce sales of ours. The occurrence of any of these circumstances may hinder our growth and our ability to compete and reduce our market share. We may not grow as fast as we used to, or we expected to, which could materially and adversely affect our business, results of operations, financial condition and prospects. For information about our market share, the competition landscape and our major competitors, please refer to the section headed "Industry Overview" in this prospectus.

Besides, according to F&S Report, with the developing trend of large scale and high performance parameter in China's pressure equipment industry, the major challenge is insufficient technological innovation and lack of research capabilities, especially in the development of high-performance materials and the design and manufacturing of special pressure equipment. In such event, we cannot assure you that we will be able to develop and offer new forms of special pressure equipment and high-performance materials to accommodate our target customers' requirements in a timely manner, or at all, that would allow us to maintain or strengthen our leadership position in our industry.

We are subject to various environmental, safety and health regulations in the PRC, compliance with which may be difficult or expensive, and any failure to comply with such regulations may render us subject to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licences or permits to conduct our business

Our production generates waste water, solid waste, noise, dust, air pollutants, sewage and other industrial waste at different stages of production process. As a result, our operations are

subject to various national and local environmental laws and regulations as well as governmental oversight in the PRC. The environmental laws and regulations impose stringent standards on our handling and disposal of solid waste, emission of water and emulsified waste, and airborne emissions. Moreover, our operations may be subject to further oversight and supervision by local governments in the PRC. Therefore, we may face increased costs and efforts to comply with the applicable environmental requirements and standards in the PRC. In addition, future changes in the scope, application and interpretation of the environmental laws and regulations as well as governmental oversight in the PRC may limit or restrict our production capacity and/or substantially increase our costs in connection with the installation of additional pollution control or safety improvement equipment or other related expenses, and thus adversely affect our financial condition and results of operation.

As environmental laws and regulations as well as governmental oversight in the PRC and other countries become more stringent or heightened over time, we cannot assure you that we will be in compliance with these laws and regulations at all times. Furthermore, local governments in the PRC has authority to order emergency shutdowns of our operations to curtail pollution under relevant PRC laws. Such actions will result in unexpected business interruptions or suspension of operations at our plants and may lead to significant financial and reputational losses if we cannot find suitable alternatives to fulfil orders in time. If our insurance coverage cannot adequately cover such losses or liabilities, we would be financially responsible for such losses or liabilities, which could result in a material and adverse impact on our business, results of operations and financial condition.

Moreover, our pressure equipment is applied in various downstream industries, some of which such as chemical, mining and metallurgical, and oil and gas, are subject to extensive environmental and safety laws and regulations. For instance, our customers in the chemical industry are subject to environmental protection laws and regulations governing the emission, discharge, release and disposal of hazardous chemicals, and any accidents resulting from improper handling of these chemicals may cause serious environmental, health and safety issues. Our customers in the mining industry whose operations involve handling and storage of explosives and other dangerous articles are required to comply with stringent environmental protection and production safety laws applicable to exploration and mining projects. Furthermore, our customers in the oil and gas industry are subject to extensive environmental laws in relation to emissions control, discharges to surface and subsurface water, and the generation, handling, storage, transportation, treatment and disposal of solid waste materials. They are also subject to significant operating hazards and natural disasters in the course of development, production and transportation of crude oil. There can be no assurance that more stringent laws, regulations or policies applicable to our customers will not be implemented. If we are unable to adapt timely to offer products that comply with the more stringent standards, we may lose projects and other business opportunities to our competitors, which in turn may affect our business and results of operations.

Changes in existing laws and regulations, political and regulatory conditions and the imposition of new laws, regulations, policies, restrictions and other entry barriers in jurisdictions in which we operate may adversely affect our business, results of operations, financial condition and prospects

Political and regulatory risks affecting any countries where our production facilities are located or where our products are exported to could adversely affect our results of operations and business prospects. Failure to comply with the existing laws and regulations or political conditions of the jurisdictions in which we operate could result in various adverse consequences, including civil or criminal liabilities and the prosecution of personnel overseeing our international operations. As such, we may be subject to risks of imposition of conditions on or the suspension of our operations in such jurisdictions or the sale of our products, or seizure of our products, or significant penalties on or claims against us. In the event that the countries in which we operate increase the stringency of such laws and regulations, our operating costs may increase and we may not be able to pass these additional costs onto our customers. In addition, potential trade protection or restrictive measures in favour of local manufacturers of competing products such as anti-dumping and anti-subsidy duties on our products, including tax benefits, governmental subsidies and other measures giving local manufacturers a competitive advantage over us, may also adversely impact our operating results and business prospects in such countries. Political turmoil and the resulting violence in places where we have production facilities may result in long-term political uncertainty and significantly deteriorated economic outlook in such places, which may cause disruptions to our operations and adversely affect our business, financial position, results of operations and prospects. Further, in the event that any jurisdiction in which we operate plans or imposes any new laws, regulations, policies, restrictions on our business or other barriers to entry, our ability to expand may be limited and our growth and development may be materially and adversely affected. We may also incur increasing costs to comply with such new laws, regulations or policies.

Our business highly depends on the demand from industries in which our products are applied

Our products are mainly applied by end customers in chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue derived from such industries accounted for approximately 97.4%, 96.4%, 89.7% and 91.0% of our total revenue from Continuing Operations, respectively. As such, the demand for our products and services is closely correlated to the market development of these industries, which in turn depends on the respective downstream markets of these industries.

We may be subject to fines and penalties as a result of our non-compliance with certain PRC laws and regulations during the Track Record Period

Pursuant to the relevant PRC laws and regulations, we are required to comply with PRC laws and regulations in environmental protection, fire safety, work safety protection, and discharge of waste water. Failure to comply with laws and regulations in environmental

protection, fire safety, and work safety protection may be imposed a correction order within a prescribed time, a fine, or an order to cease project construction, use or production and operation. During the Track Record Period, we were not in strict compliance with laws and regulations in environmental protection, fire safety, work safety protection, and discharge of waste water, and Morimatsu Chemical Equipment, which has ceased to be a subsidiary of our Group pursuant to the Demerger, was fined with a total amount of approximately RMB0.3 million in relation to the failure to discharge sewage in accordance with the requirements of the permit for discharging sewage into drainage network in two instances in July 2018 and June 2019. Please refer to the section headed "Business — Regulatory Compliance" in this prospectus for further details. There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC authorities as a result of such non-compliance incidents. Any such penalties, orders may have an adverse effect on our financial condition and results of operations.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, we could be materially and adversely affected by the COVID-19 spread globally

There has been an outbreak of the novel coronavirus, COVID-19, since January 2020 across the PRC and around the world. Such outbreak of epidemic has endangered the health of many people residing in the PRC and around the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, government authorities in the PRC, Europe, U.S., and other countries have imposed various controls and restrictions, including travel restrictions and quarantine for travelers or returnees from affected regions, stay home orders, lock down measure, shutting down certain business operations temporarily. Since January 2020, PRC governmental authorities have imposed controls and restrictions to contain the outbreak, extended the Chinese New Year Holiday in February 2020 and temporarily suspended work in various provinces and cities. On 27 January 2020, the government of Shanghai (上海市人民政府) and the government of Jiangsu Province both issued notices (the "**Notices**") to extend the Chinese New Year Holiday and postpone resumption of business operation in Shanghai and Jiangsu Province to the date not earlier than 9 February 2020. According to the Notices, we resumed our business operation in Shanghai and Jiangsu Province both on 10 February 2020. As a result of the travel restrictions and lockdown policies imposed by various governments as well as recommendation to minimise social activities to reduce transmission of COVID-19, we had suspended face-to-face marketing activities in the PRC and overseas markets since 10 February 2020. While we have resumed our face-to-face client meetings since late March 2020 in the PRC, we have not yet resumed our face-to-face marketing activities in overseas market as the COVID-19 pandemic is still severe overseas. Moreover, four of our projects were suspended or terminated, and the completion or progress of eight projects were delayed as a result of COVID-19. Although our Directors are of the view the outbreak of COVID-19 did not have material adverse impact on our business and financial condition as at the Latest Practicable Date, when and whether COVID-19 could be contained remains uncertain. If the outbreak of COVID-19 further escalates, our operations may be materially and adversely affected by potential delays in or reductions of business activities and commercial transactions and by general uncertainties surrounding the duration of the government's extended business and travel restrictions.

In addition, our business operations could be disrupted if any of our employees is suspected of contracting the COVID-19 or any other epidemic disease, since our employees could be quarantined and/or our production bases and offices be shut down for disinfection. Our business operations may also be materially adversely affected if our suppliers, including raw material suppliers and sub-contractors, or other business partners are affected by the COVID-19. The potential downturn brought by and the duration of the COVID-19 may be difficult to assess or predict where actual effects will depend on many factors beyond our control. The extent to which the COVID-19 impacts our business, financial condition and results of operations remains uncertain, and we are closely monitoring its impact on us. Please refer to the section headed "Business — Impact of Outbreak of COVID-19 on Our Operations" in this prospectus for the details of the impact of the COVID-19 outbreak on us and the measures we have adopted to cope with it.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could affect our business

A major portion of our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects may be affected by the economic, political and social conditions as well as government policies in the PRC.

While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy for more than three decades, a substantial part of the PRC economy is still being operated under various controls by the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may materially and adversely impact our business, financial condition, results of operations and prospects.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protections available to us in respect of our operations and to our Shareholders

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since the late 1970s, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. The PRC laws and regulations may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

In addition, the PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations.

The PRC legal system is based in part on government policies (some of which are not published on a timely basis). As a result, we may not be aware of any violation of these policies until sometime after the violation. Failure to comply with applicable regulations may result in fines, restrictions on our activities or, in extreme cases, suspension or revocation of our business licences. There may be uncertainties regarding the interpretation and application of new laws and regulations. The interpretation and enforcement of certain PRC laws which govern a portion of our operations involve uncertainties, which could limit the legal protections available to us. In particular, agreements which are governed under PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

Our Company is a holding company that relies on dividend payments from our subsidiaries for funding, and payment of dividends from our PRC subsidiaries are subject to restrictions under PRC laws and PRC withholding tax

PRC laws require dividends to be paid out of net profit calculated according to PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions. Foreign-invested enterprises, such as our PRC subsidiaries, are also required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. In addition, such dividends are also subject to PRC withholding tax. Our Company is a holding company incorporated in Hong Kong and most of our business and operations are conducted through our PRC subsidiaries. The availability of funds to pay distributions to Shareholders depends on dividends received from these subsidiaries. If our PRC subsidiaries incur any debts or losses or otherwise there are insufficient retained after-tax profits after deducting statutory reserves, the amount of dividends that our PRC subsidiaries can declare will be limited and as a result, our ability to pay dividends and other distributions to Shareholders will be restricted.

Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

The Enterprise Income Tax Law (the "**EIT Law**") and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the withholding tax rate on dividends paid by our PRC subsidiary to the Company would generally be reduced to 5%, provided that the Company is the beneficial owner of the PRC-sourced income and we have obtained the approval of the competent tax authority. On 3 February 2018, the State Administration of Taxation (the "**SAT**") issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement (《關於稅收協定中「受益所有人」有關問題的公告》) ("**Circular 9**"), which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner. There is no assurance that the reduced withholding tax rate will be available.

We may be deemed to be a Chinese tax resident, which could result in unfavourable tax consequences to us and our non-PRC shareholders

We are incorporated under the laws of Hong Kong, and most of our operations are conducted through our PRC-incorporated subsidiaries. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise would generally be deemed a "Chinese resident enterprise" for tax purposes and be subject to EIT at a rate of 25.0% on its global incomes. "De facto management body" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by Chinese enterprises. According to these regulations, we might be regarded as a Chinese resident enterprise by Chinese tax authority and be required to pay EIT at a rate of 25.0% for all of our global income. If we are considered by the PRC tax authorities as a PRC tax resident enterprise under the PRC tax regime, our business, financial condition and operating results may be materially and adversely affected.

The PRC government's control over the conversion of foreign exchange and fluctuations in the value of RMB may affect our results of operations, financial condition and ability to pay dividends

RMB is not currently a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Pursuant to the existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payment) without submitting the relevant documentary evidence of such transactions to the SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes may require the prior approval or registration with the SAFE. If we fail to obtain the SAFE's approval to convert RMB into foreign currencies for foreign exchange transactions or there are changes in the foreign exchange regulations or policies, our capital expenditure plans, business operations, results of operations, financial condition and our ability to pay dividends could be materially and adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. We cannot assure you that we will be able to obtain these government registrations, filings or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations, filings or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgements obtained from foreign courts

Most of our operating subsidiaries are incorporated in the PRC. Some of our management reside in the PRC from time to time. Almost all of our assets and some of the assets of our management are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or our management inside the PRC. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the existing or potential dispute. On 18 January 2019, the Supreme People's Court and the Hong Kong SAR Government entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which seeks to establish a mechanism with

greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong SAR and the Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong SAR. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgement rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of the United States, the United Kingdom, or most other western countries. Hence, the recognition and enforcement in China of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws

The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by Domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**") issued and effective on 4 July 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. On 13 February 2015, the SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**SAFE Circular 13**"), which came into effect on 1 June 2015. Pursuant to SAFE Circular 13, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of the SAFE. We cannot assure that all of our shareholders who are PRC Residents will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. Failure to comply with the registration procedures set forth in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions

to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate

Prior to the Global Offering, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Global Offering, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Global Offering.

Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in Shares during that period. Accordingly, holders of Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our public Shareholders

Immediately following the Global Offering and the Bonus Issue, Mr. Matsuhisa Terumoto, Mr. Matsuhisa Hiroyuki, Morimatsu Holdings and Morimatsu Industry, our Controlling Shareholders, will own 75% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market could adversely affect the market price of our Shares and our ability to raise capital in the future, or may result in dilution of your shareholding

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the Shares.

A certain number of our Shares held by existing shareholders are or will be subject to contractual and/or legal restrictions on disposal for a period of time after completion of the Global Offering. Please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses – Undertakings to the Stock Exchange – Undertakings by our Controlling Shareholders" in this prospectus for further details. After the lapse of the abovementioned restrictions, future sales or perceived sales of substantial amounts of our Shares, or the possibility of such sales by us, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

There can be no assurance if and when we will pay dividends in the future

Distribution of dividends shall be formulated by our Board and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRSs, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. Please refer to the section headed "Financial Information – Dividends" in this prospectus for further details of our dividend policy.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Certain statistics and facts in this prospectus have come from various government official publications whose reliability cannot be assumed or assured

This prospectus includes certain statistics and facts extracted in whole or in part from various publicly available government official sources and publications or from the F&S Report or other sources. We believe that the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reducing such statistics and facts from their respective sources. We have no reason to believe that such statistics and facts are false or misleading in any material respect or that any fact has been omitted that would render such statistics and facts false or misleading in any material respect. These statistics and facts have not yet been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering. In addition, the information contained in the F&S Report was derived by means of, inter alia, desk research, client consultation and interviewing with key industry participants and industry experts, which includes information that is not publicly available. Therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminologies such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all

of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details.

Investors should read this entire prospectus carefully, and we cannot assure you that any information contained in press articles or other media coverage regarding us and the Global Offering is appropriate, accurate, complete or reliable

Prior to the publication of this prospectus, there might have been press articles and/or media coverage regarding us and the Global Offering which might include certain financial information, financial projections, and other information about us which were not disclosed in this prospectus. Such information might not be sourced from or authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering, hence, none of these parties accepts any responsibility for the accuracy or completeness of such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press articles and/or other media coverage regarding us and the Global Offering. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

For the purpose of the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules from the Stock Exchange and exemptions from strict compliance with the relevant sections of the Companies (WUMP) Ordinance from the SFC.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that our management, business and operation are primarily located, managed and conducted outside Hong Kong, it would be practically difficult and commercially unfeasible for us to either relocate two of our executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong in order to comply with the requirements under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

(i) our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Nishimatsu Koei (西松江英), an executive Director and Ms. Lau Wai Yee (劉惠儀), a joint company secretary of our Company, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Lau Wai Yee is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised by our Board to communicate on behalf of our Company with the Stock Exchange;

(ii) each of our Company's authorised representatives has means to contact all members of our Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (i) each Director shall provide his/her mobile phone numbers, office phone numbers, fax numbers and email addresses to the authorised representatives; (ii) in the event that such Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all our Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange. We shall promptly inform the Stock Exchange of any changes to the contact details of the authorised representatives of our Company and our Directors;

(iii) Sinolink Securities (Hong Kong) Company Limited has been appointed as our Company's compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules and publishes its annual report in respect of its first full financial year commencing after the Listing Date. The contact persons of the compliance adviser will be fully available to answer enquiries from the Stock Exchange;

(iv) each of our Directors (including independent non-executive Directors) not ordinarily resident in Hong Kong has confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong upon reasonable notice; and

(v) our Company will also appoint other professional advisors (including its legal advisers in Hong Kong) after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

(i) a member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Lee Kenneth Hoi Nap as one of our joint company secretaries. Mr. Lee has over 10 years of experience in finance-related matters and is familiar with the financial operation of our Group. For further information regarding Mr. Lee, please refer to the section headed "Directors and Senior Management — Joint Company Secretaries" in this prospectus. Mr. Lee, however, does not possess the specified qualification required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, our Company has made the following arrangements:

(i) Mr. Lee will endeavour to attend relevant training courses to enable him to acquire a good understanding of the relevant Hong Kong laws and regulations, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organised by our Company's Hong Kong legal advisers on an invitation basis and seminars organised by the Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

(ii) our Company has appointed Ms. Lau Wai Yee, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Lee in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Lee to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and

(iii) before the end of the expiry of the aforesaid three-year period, the Stock Exchange will be contacted by our Company to assess the qualifications and experience of Mr. Lee; Mr. Lee is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Ms. Lau Wai Yee's assistance for three years from the Listing Date, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules; if such requirements cannot be satisfied, our Company will employ a suitable candidate who will be able to comply with the requirements under Rule 8.17 of the Listing Rules as secretary of our Company.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and Rule 8.17 of the Listing Rules for a three-year period from the Listing Date on the following conditions:

(a) Mr. Lee must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the aforesaid three-year period; and

(b) the waiver can be revoked if there is any material breaches of the Listing Rules by our Company.

We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Lee, having had the benefit of Ms. Lau Wai Yee's assistance for three years, will have acquired relevant experience within the meaning of the Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to certain partially-exempt continuing connected transaction. Details of such partially-exempt continuing connected transaction and the waiver are set out in the section headed "Connected Transactions — (B) Partially-Exempt Continuing Connected Transaction" in this prospectus.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WUMP) ORDINANCE

Pursuant to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 38(1) of the Companies (WUMP) Ordinance, all prospectuses shall include the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and it sets out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a report by our Company's auditors with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the prospectus and assets and liabilities of our Company at the last date to which the financial statements of our Company were prepared.

Pursuant to section 38A(1) of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended 31 December 2018, 2019 and 2020. However, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

(a) this prospectus will be issued on or before 26 February 2021 and our Company be listed on the Stock Exchange on or before 31 March 2021 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of this prospectus);

(b) we will include in this prospectus a profit estimate for the financial year ended 31 December 2020 in compliance with Rules 11.17 to 11.19 of the Listing Rules and a Directors' statement that, save for the listing expenses, after performing all due diligence work which they consider appropriate, there is no material and adverse change to the financial and trading position or prospects of our Company, with specific reference to the trading results from 1 October 2020 to 31 December 2020; and

(c) our Company obtains a certificate of exemption from the SFC from strict compliance with the requirements under section 38(1) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 38(1) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance and a certificate of exemption has been granted by the SFC under section 38A(1) of the Companies (WUMP) Ordinance on the conditions that (i) the particulars of the exemption be set out in this prospectus; (ii) this prospectus be issued on or before 26 February 2021; and (iii) our Company be listed on the Stock Exchange on or before 31 March 2021 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of this prospectus).

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 38(1) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountants of our Company (the "**Reporting Accountants**") to finalise the audited financial statements for the year ended 31 December 2020 for inclusion in this prospectus. If the financial information for the year ended 31 December 2020 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial volume of work to prepare, update and finalise the Accountants' Report and the prospectus, and the relevant sections of the prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended 31 December 2020 to be finalised in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective Shareholders may not justify the additional work and expenses involved and the delay of the Listing timetable;

(b) our Directors and the Sole Sponsor herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of this prospectus, except to the extent disclosed in the paragraph headed "Recent Development and No Material Adverse Change" in Summary section of this prospectus, save for the listing expenses, there has been no material adverse change to the financial and trading positions or prospects of our Group since 1 October 2020 (immediately following the date of the latest audited financial statement in the Accountants' Report set out in Appendix I to this prospectus) up to 31 December 2020 and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus, the Financial Information section, the profit estimate for the year ended 31 December 2020 as set out in Appendix III to this prospectus and information regarding our Company's recent development subsequent to the Track Record Period and up to the Latest Practicable Date, since 1 October 2020;

(c) our Company is of the view that the Accountants' Report covering the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, together with the profit estimate for the year ended 31 December 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, trading position, management and prospects included in this prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended 31 December 2020. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

(d) we will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended 31 December 2020 on or before 31 March 2021 and 30 April 2021, respectively. In this regard, our Directors consider that the Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement and are subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

Further details about the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Friday, 5 March 2021 and in any event no later than Tuesday, 9 March 2021. **If our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Tuesday, 9 March 2021, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.**

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Bonus Issue, and any Shares which may be issued upon exercise of any option granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Post-IPO Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B (1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after any trading date.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect your rights and interests.

SHARE REGISTER AND STAMP DUTY

All of our Shares issued pursuant to applications made in the Global Offering will be registered on our Company's register of members to be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

Dealings in our Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends in respect of the Shares will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person

resulting from the subscription for, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, the Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 15 March 2021. The Shares will be traded in board lots of 1,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

EXCHANGE RATE CONVERSION

Unless otherwise specified and for the purpose of this prospectus, amounts denominated in RMB are translated into HK$ at the rate of RMB0.84276 to HK$1. No representation is made that any amounts in RMB have been, would have been or may be converted at the above rate or any other rates or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Nishimatsu Koei (西松江英)	No. 29 Jinwen Road Zhuqiao Town Pudong New District Shanghai PRC	Japanese
Hirazawa Jungo (平澤準悟)	A202, 4-306-2 Unumakakamigaharacho Kakamigahara City Gifu Prefecture Japan	Japanese
Tang Weihua (湯衛華)	No. 166 Fengdan Bailu Lane 188, South Liu Road Pudong New District Shanghai PRC	Chinese
Sheng Ye (盛曄)	Room 601, No. 10 Lane 1999, Langu Road Gaoxing Town Pudong New District Shanghai PRC	Chinese
Kawashima Hirotaka (川島宏貴)	No. 29 Jinwen Road Zhuqiao Town Pudong New District Shanghai PRC	Japanese

Name	Address	Nationality
Non-executive Director		
Matsuhisa Terumoto (松久晃基)	1-6-30 Kagashimaminami Gifu City Gifu Prefecture Japan	Japanese
Independent Non-executive Directors		
Chan Yuen Sau Kelly (陳遠秀)	Flat H, 12/F Tower 2, Fleur Pavilia 1 Kai Yuen Street North Point Hong Kong	Chinese
Kanno Shinichiro (菅野真一郎)	Dainichi 307-3 Yotsukaido City Chiba Prefecture Japan	Japanese
Yu Jianguo (于建國)	Room 601, Lane 17 259 Tiandeng Road Xuhui District Shanghai PRC	Chinese

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Sinolink Securities (Hong Kong) Company Limited** Units 2503, 2505-06, 25/F Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Financial Adviser	**Mizuho Securities Asia Limited** 14-15/F, K11 Atelier 18 Salisbury Road Tsim Sha Tsui Kowloon Hong Kong
Joint Global Coordinators	**Sinolink Securities (Hong Kong) Company Limited** Units 2503, 2505-06, 25/F Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Mizuho Securities Asia Limited** 14-15/F, K11 Atelier 18 Salisbury Road Tsim Sha Tsui Kowloon Hong Kong
Joint Bookrunners and Joint Lead Managers	**Sinolink Securities (Hong Kong) Company Limited** Units 2503, 2505-06, 25/F Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Mizuho Securities Asia Limited** 14-15/F, K11 Atelier 18 Salisbury Road Tsim Sha Tsui Kowloon Hong Kong **BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong

Legal Advisers to our Company

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

As to PRC law
Jingtian & Gongcheng
45/F, K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai City
PRC

As to Japan law
Midosuji LPC
F20 Kasumigaseki Building
3-2-5 Kasumigaseki
Chiyoda-ku
Tokyo
Japan

As to Sweden law
Advokatfirman Fylgia KB
Nybrogatan 11
Stockholm
Sweden

As to US law
The Law Office of Mark A. Kerstein, PLLC
950 Echo Lane, Suite 200
Houston
Texas 77024
United States

As to India law
Agram Legal Consultants
1201A, 12A/F, Tower 2A
One Indiabulls Center
841 Senapati Bapat Marg
Mubai
India

	As to Italy law **Lexia Avvocati** Dell's Annunciata N. 23/4-20121 Milan Italy
	As to international sanctions law **Hogan Lovells** 11th Floor, One Pacific Place 88 Queensway Hong Kong
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **David Lo & Partners** Suite 402, 4/F., Nan Fung Tower 88 Connaught Road Central Hong Kong
	As to PRC law **Tian Yuan Law Firm** 10/F, China Pacific Insurance Plaza B 28, Fengsheng Lane Xicheng District Beijing PRC
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8/F, Prince's Building 10 Chater Road Central Hong Kong
Property Valuer	**Cushman & Wakefield Limited** 27/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai PRC

Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
	Bank of Communications Co., Ltd. **Hong Kong Branch** Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Room 01 & 18/F Wheelock House 20 Pedder Street Central Hong Kong

Registered Office	Unit 26B, 235 Wing Lok Street Trade Centre 235 Wing Lok Street 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 *(The contents on this website do not form part of the prospectus)*
Joint Company Secretaries	Mr. Lee Kenneth Hoi Nap (李凱納) Flat A, 20/F, Block 2 City Point 48 Wing Shun Street Tsuen Wan Hong Kong Ms. Lau Wai Yee (劉惠儀) Unit 26B, 235 Wing Lok Street Trade Centre 235 Wing Lok Street Hong Kong *(Fellow member of The Hong Kong Institute of Chartered Secretaries, of The Chartered Governance Institute in the United Kingdom and of the Hong Kong Institute of Directors)*
Authorised Representatives	Mr. Nishimatsu Koei (西松江英) No. 29 Jinwen Road Zhuqiao Town Pudong New District Shanghai PRC Ms. Lau Wai Yee (劉惠儀) Unit 26B, 235 Wing Lok Street Trade Centre 235 Wing Lok Street Hong Kong
Audit Committee	Ms. Chan Yuen Sau Kelly (陳遠秀) *(chairperson)* Mr. Kanno Shinichiro (菅野真一郎) Mr. Matsuhisa Terumoto (松久晃基)

Remuneration Committee	Mr. Yu Jianguo (于建國) *(chairman)* Ms. Chan Yuen Sau Kelly (陳遠秀) Mr. Matsuhisa Terumoto (松久晃基)
Nomination Committee	Mr. Matsuhisa Terumoto (松久晃基) *(chairman)* Mr. Kanno Shinichiro (菅野真一郎) Mr. Yu Jianguo (于建國)
Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East 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 Banks	**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 Center 100 Century Avenue Pudong New District Shanghai PRC **Sumitomo Mitsui Banking Corporation (China) Limited** 11F, Shanghai World Financial Center 100 Century Avenue Pudong New District Shanghai PRC

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by F&S, which was commissioned by us. We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, senior management, representatives or any other person involved in the Global Offering have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside China. As a result, you are advised not to place undue reliance on such information.

SOURCES OF INFORMATION

We have commissioned F&S, an independent market researcher and consultant, to analyse and report on pressure equipment industry in China. F&S is an independent global consulting firm founded in 1961 in New York. F&S offers industry research and market strategies and provides growth consulting and corporate training to companies in a wide range of industries in the PRC. We have agreed to pay F&S a total fee of RMB500,000 for the preparation of the F&S Report.

Our Company has included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of pressure equipment industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on F&S's own research database. After making reasonable enquiries, our Directors have confirmed that there is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

Analysis and forecasts contained in the F&S Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as development of equipment manufacturing industry, rising demands from downstream applications and favourable policies will drive pressure equipment industry.

CHINA'S PRESSURE EQUIPMENT INDUSTRY OVERVIEW

Definition and Introduction

Pressure vessel refers to a closed vessel which is used in industrial production to complete the production process of reaction, mass transfer, heat transfer, separation and storage, and can withstand pressure loads (internal and external pressure). Pressure equipment generally involves pressure vessels as the main equipment, and usually includes single large pressure vessels and modular equipment which is assembled by pressure vessels and other equipment like process pipes, electricals, instrument, etc.

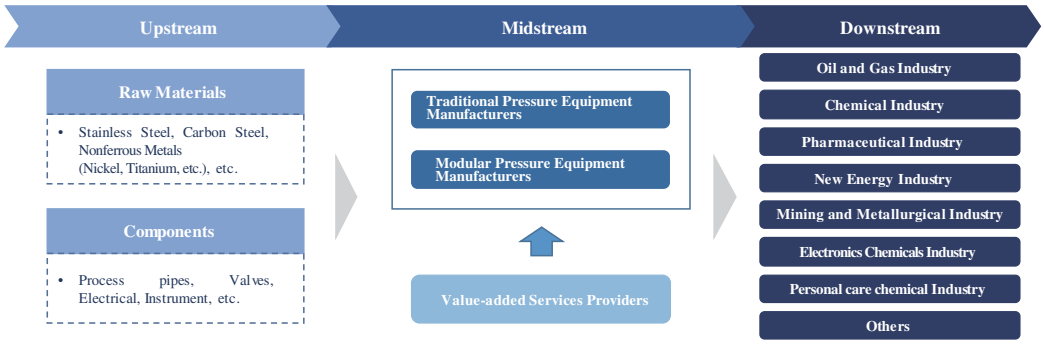
Modular pressure equipment is a kind of integrated system that integrates pressure vessel and other devices into one module. It can operate independently to realise one or more complete technological processes, and can be transported, hoisted and installed as a whole. Usually, modular pressure equipment is classified into process modules and skids, and modular factories by their size, weight and functions. Modular pressure equipment and modular factories are particularly applicable for projects with extreme conditions, such as regions with extreme climates, developed countries with high labour cost, undeveloped areas that lack of sufficient infrastructure, and customers with strict manufacturing requirements as well. Modularisation is one of the future development directions and is expected to be widely applied in oil and gas, chemical, pharmaceutical, and personal care chemical industries.

Traditional pressure equipment refers to a variety of single pressure vessels which are used in industrial production to complete the production process of reaction, mass transfer, heat transfer, separation and storage, and can withstand pressure loads (internal and external pressure). Based on different functions in the production process, the traditional pressure equipment can be classified into heat exchangers, tanks, reactors and towers. Heat exchangers are mainly used to transfer heat from hot fluid to cold fluid. Tanks are mainly used to contain liquid or gas materials. Reactors are mainly used to perform reaction procedures of single-phase and multi-phase. Towers are mainly used to perform physical processes such as separation or absorption and change the composition of mixtures of gases or liquids.

Value Chain Analysis

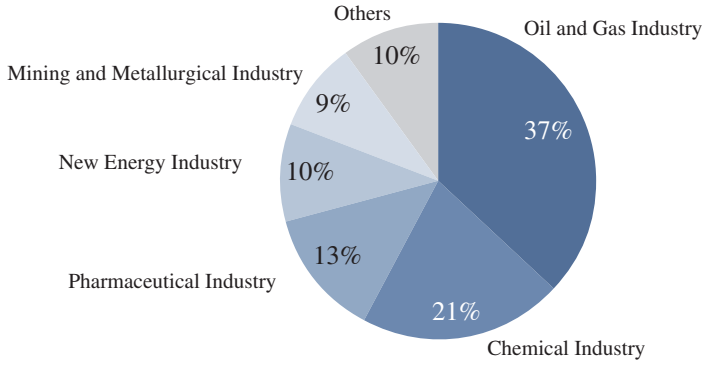
The value chain of the pressure equipment industry generally includes the supply of upstream raw materials and components, midstream pressure equipment industry and downstream applications in various industries. The upstream of the pressure equipment industry mainly includes raw materials such as stainless steel, carbon steel, nonferrous metals such as titanium and nickel, etc., and components such as process pipes, valves, electrical and instrument which are mainly used in modular pressure equipment. Major suppliers of pressure equipment manufacturers include steel manufacturers, nonferrous metal manufacturers and parts and components manufacturers. The midstream of the pressure equipment industry generally involves traditional pressure equipment manufacturers, modular pressure equipment manufacturers, and related value-added services providers such as digital design and factory management. Moreover, the pressure equipment industry has many downstream applications including oil and gas industry, chemical industry, pharmaceutical industry, new energy industry, mining and metallurgical industry, electronics chemicals industry, personal care chemical industry and other industries. Generally modular production of pressure equipment can be applied in all downstream applications of traditional pressure equipment industry. As modular pressure equipment and modular factories are particularly applicable for projects with strict manufacturing requirements and extreme conditions, they are more commonly applied in industries with sophisticated production process including oil and gas industry, pharmaceutical industry, chemical industry and personal care chemical industry in China.

Value Chain of Pressure Equipment Industry in China



Source: Frost & Sullivan Analysis

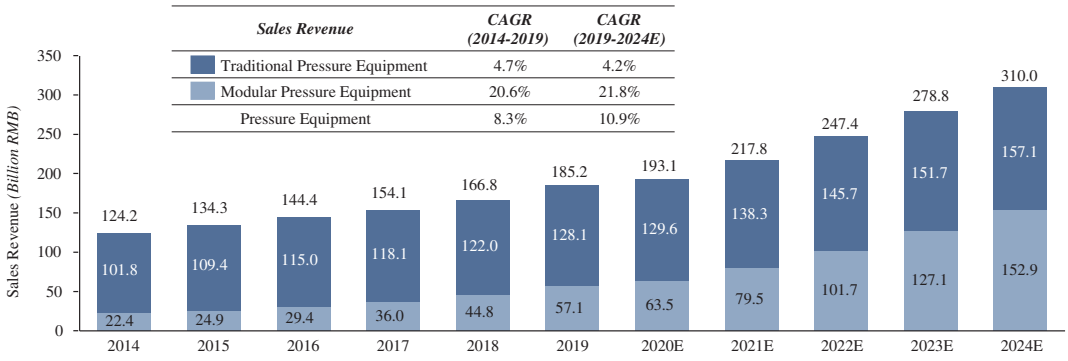
Breakdown of Pressure Equipment Industry by Downstream Applications in Terms of Sales Revenue in China, 2019



Source: Frost & Sullivan Analysis

Market Size of Pressure Equipment Industry in China

Sales Revenue of Pressure Equipment Manufacturers and Integrated Pressure Equipment Solution Providers (China), 2014 – 2024E



Sales Revenue	*CAGR (2014-2019)*	*CAGR (2019-2024E)*
Traditional Pressure Equipment	4.7%	4.2%
Modular Pressure Equipment	20.6%	21.8%
Pressure Equipment	8.3%	10.9%

Note: Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

Source: Frost & Sullivan Analysis

Owing to the continuous development of industrial production, the increasing R&D investment in the pressure equipment industry, the growing demand from downstream industries, the development opportunities of international cooperation brought by the "Belt and Road Initiative", and the localisation of technology and production in the pressure equipment industry, the pressure equipment industry in China has maintained a stable growth in recent years, with the sales revenue of the pressure equipment manufacturers and integrated pressure equipment solution providers increasing from RMB124.2 billion in 2014 to RMB185.2 billion in 2019, with a CAGR of approximately 8.3% during the period. With the support of a series of policies, the increasing demand from downstream applications, and the further recognition of the quality of pressure equipment produced in China from foreign customers, the sales revenue of pressure equipment manufacturers and integrated pressure equipment solution providers in China is expected to enjoy a steady growth and reach RMB310.0 billion in 2024, representing a CAGR of approximately 10.9% from 2019 to 2024.

From 2014 to 2019, mainly due to the growing international recognition of the pressure equipment manufactured in China and the increasing demands for modular pressure equipment from foreign customers in downstream applications, the value of exports of pressure equipment in China experienced a continuous increase, from RMB12.8 billion in 2014 to RMB28.0 billion in 2019, with a CAGR of approximately 16.9%. In the future, with the promotion of the "Belt and Road Initiative" and the continuous technological improvement, the value of exports of pressure equipment in China is anticipated to reach RMB64.8 billion in 2024, representing a CAGR of approximately 18.3% during the period from 2019 to 2024.

Modular Pressure Equipment Industry: Modular pressure equipment has the advantage of shortening the development cycle as (i) modular design of pressure equipment can help customers optimise production facilities with rational layout and combination of different process modules, which can simplify the design process of production facilities; and (ii) the manufacturing of modular pressure equipment and the infrastructure construction in customer site can be carried out at the same time, which can significantly reduce the construction time of production facilities. Moreover, modular pressure equipment has the advantage of convenience to maintenance mainly because the modules with problems can be maintained or replaced without major changes to the entire production facility. Due to the advantages of shortening the development cycle, accelerating technological upgrading, and convenience to maintenance, the mode of modular production in pressure equipment industry has experienced a dramatic increase in recent years. From 2014 to 2019, the sales revenue of modular pressure equipment manufacturers and integrated pressure equipment solution providers increased from RMB22.4 billion to RMB57.1 billion, with a CAGR of approximately 20.6%. With the increasing demands from downstream industries, and the development of related technologies such as automation and intelligent production, the modular pressure equipment industry is expected to observe a rapid development in the future. In 2024, the sales revenue of modular pressure equipment manufacturers and integrated pressure equipment solution providers in China is anticipated to reach RMB152.9 billion, representing a CAGR of approximately 21.8% from 2019 to 2024. Comparing to traditional pressure equipment, the sales revenue of modular pressure equipment had and is expected to grow at a much higher rate. This is mainly because (i) the traditional pressure equipment

industry in China was a mature industry and the number of traditional pressure equipment manufacturers remained stable while the number of modular pressure equipment manufacturers has increased continuously due to the growing demands for modular pressure equipment; and (ii) the main downstream industries of modular pressure equipment such as oil and gas industry and pharmaceutical industry had and is expected to experience a rapid development, which stimulates the rapidly growing demands for modular pressure equipment.

Traditional Pressure Equipment Industry: From 2014 to 2019, the sales revenue of traditional pressure equipment manufacturers increased from RMB101.8 billion to RMB128.1 billion, representing a CAGR of approximately 4.7%. In the future, the sales revenue of traditional pressure equipment manufacturers in China is anticipated to experience a stable increase and reach RMB157.1 billion by the end of 2024, with a CAGR of approximately 4.2% from 2019 to 2024.

Market Drivers

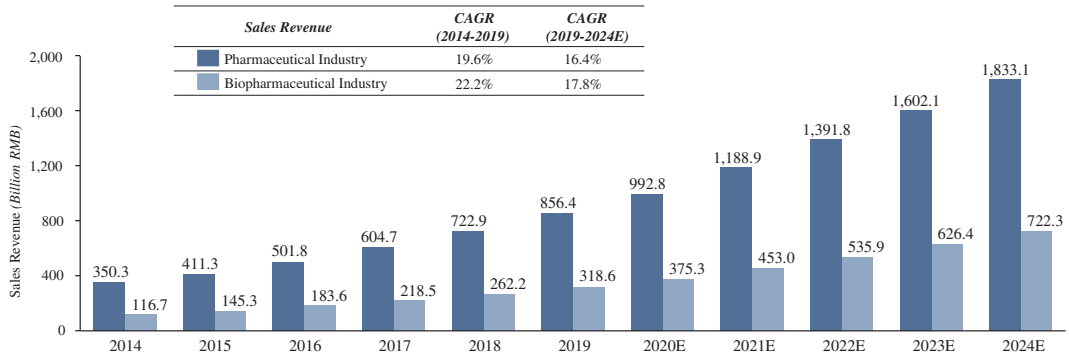
Mature and Comprehensive Industrial System: With years of accumulation and development, China's manufacturing industry has established a mature and comprehensive industrial system with complete categories, large scale, and high technical level, and has become an important pillar of the national economy. Within such industrial system, production resources can be effectively allocated along the value chain of pressure equipment industry, thus pressure equipment manufacturers can obtain sufficient supply of raw materials and stable demand from downstream industries. Therefore, the mature and comprehensive industrial system has promoted the development of pressure equipment industry in China.

Favorable Policies: A series of policies concerning the structural adjustment of economic development and the transformation and upgrading of key industries have supported the development of pressure equipment industry in China. For example, the "traditional manufacturing industry moves towards the middle and high end" proposed in "Made in China 2025 (《中國製造2025》)" promoted the structural adjustment of the pressure equipment industry and stimulated the demands for intelligent and high end pressure equipment with better performance of energy saving and emission reduction. Furthermore, owing to the stable foreign investment and the opportunity from the "Belt and Road Initiative", the pressure equipment industry is expected to obtain international competitiveness in the future.

Further Development of Downstream Industries: In recent years, with the technological transformation of pharmaceutical manufacturers, the demand for modular pressure equipment, with the characteristics of time-saving construction, are expected to be widely applied in pharmaceutical industry. In personal care chemical industry, global leading enterprises in personal care chemical industry, such as P&G, Unilever, Colgate and so on have promoted the standardised production to guarantee the consistent quality of their products around the world. Due to the characteristics of fast delivery, cost saving, and controllable measurement, modularisation in manufacturing equipment has become an important means of standardisation reform in the multinational enterprises of personal care chemical industry. In addition, after the slowdown of growing pace in 2015 mainly owing to the plummeted prices of crude oil and raw materials of bulk commodity from 2014 to first half

of 2016, the sales revenue of chemical industry in China has experienced a stable increase due to the continuous development of fine chemical industry, the increasing demands for specialty chemicals, and some favorable policies over chemical industry such as the "Development Plan of Petrochemical and Chemical Industries (2016-2020)《石化和化學工業發展規劃(2016-2020年)》" issued by the Ministry of Industry and Information Technology, which clarified the development goals of petrochemical and chemical industries during the period of 2016 to 2020. In 2020, affected by the outbreak of COVID-19 and the decrease of crude oil price, the development of chemical industry in China is likely to slow down. Afterwards, the sales revenue of chemical industry is expected to maintain a steady increase along with the further development of fine chemicals and new chemical materials.

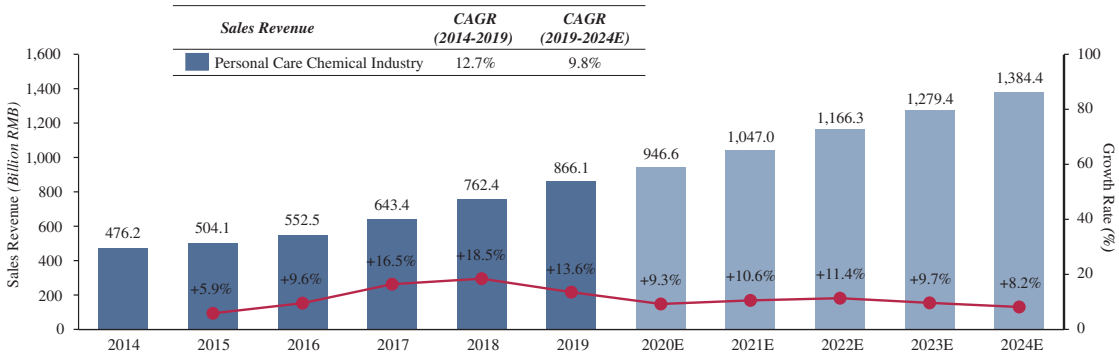
Sales Revenue of Pharmaceutical Industry (China), 2014 – 2024E



Note: Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

Source: Frost & Sullivan Analysis

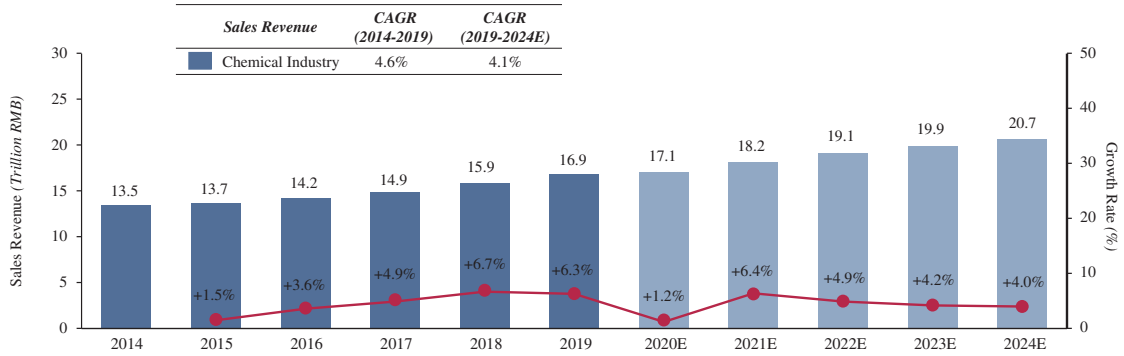
Sales Revenue of Personal Care Chemical Industry (China), 2014 – 2024E



Note: Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

Source: Frost & Sullivan Analysis

Sales Revenue of Chemical Industry (China), 2014 – 2024E



Note: Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

Source: Frost & Sullivan Analysis

Moreover, in 2016, the Ministry of Industry and Information Technology of China issued the "Development Plan of Petrochemical and Chemical Industries (2016-2020) (《石化和化學工業發展規劃(2016-2020年)》)", which clarified the development goals that during the period of the "13th Five Year Plan", the value-added of petrochemical and chemical industries in China achieve an annual growth of 8% and encouraged the development of environmentally-friendly basic materials and new chemical materials. The sustainable development of chemical industry in China has stimulated the demand for pressure equipment.

Growing Overseas Demand under the "Belt and Road" Initiative: Belt and Road Initiative is a development strategy launched by China in 2015. The aim is to increase economic co-operation among countries along the Silk Road Economic Belt and the 21st Century Maritime Silk Road that connect Asia, Europe and Africa. The Belt and Road countries have been continuously strengthening industrial investment and cooperation with China. In the future, the demand for equipment in energy and chemical industry in the countries and regions along the Belt and Road is expected to increase, which provides huge market space for China's modular pressure equipment manufacturing industry.

Mature Regulations and Standards: With the technological innovation, the strengthened supervision and management, and the improving system of regulations and standards of special equipment regarding safety technical norms and requirements of product quality and technology, the product safety and the capability of quality assurance have been continuously enhanced. Moreover, the international competitiveness of the traditional pressure equipment in China has been improved with the integration of Chinese standards with international standards in recent years. Therefore, mature regulations and standards promoted the development of traditional pressure equipment industry in China.

Future Opportunities

Popularisation of Modular Production: Due to the advantages of easy installation and transportation, strong controllability and short construction period, the popularisation of modular production has been one of the developing trends of pressure equipment industry in China. Especially in the areas where the construction is restricted due to extreme environment, shortage in raw materials or high labour costs, the modular production of pressure equipment is likely to enjoy a rapid development in the future. Further, intelligent modular factory will be widely adopted as modular factory can greatly shorten the construction period and reduce the construction cost, improve the full-cycle project management, and further optimise their production process and simulate the modified solutions through digital design.

Integration of Value Chain and Industry Consolidation: The "Made in China 2025 (《中國製造2025》)" proposed to encourage advantageous enterprises to accelerate the development of international general contracting and integration. With the integration of value chain, the pressure equipment manufacturers and integrated pressure equipment solution providers could either be responsible for the entire project as the general contractor or provide specific pressure equipment as a subcontractor. The integration of value chain can not only simplify the procurement process and costs of downstream customers, but also enhance cooperation among enterprises throughout the value chain, leverage their respective advantages and improve production efficiency. Meanwhile, with the improvement of national standardisation and quality requirements, Chinese government encouraged mergers and reorganisations of companies to optimise the allocation of capital, technology and talents, and improve the industrial concentration and competitiveness.

Creative Application in Emerging Downstream Industries: Modular equipment is expected to be widely used in emerging downstream industries, such as modular data centre and biopharma industry. The deployment of 5G and a series of policies issued by Chinese government regarding standards and planning of data centre construction is expected to drive the development of data centre in the future. The construction of traditional data centres takes about one year, while the modular data centre can shorten the entire construction process to six months and standardise the entire construction process, which can greatly improve the competitive advantage of customers. With the development of biopharma industry, the demand for biopharma equipment is expected to grow. In recent years, global pharmaceutical giants started shifting production from their own countries to mainland China so as to seize the opportunities in biopharma industry in China, which also presents opportunities for China's biopharma equipment manufacturers. However, China still lags behind the developed countries in biopharma competitiveness, many high-end biopharma equipment depend on imported products. In the future, the biopharma equipment manufacturers who can produce high-end equipment, such as modular equipment will achieve competitive advantages.

Technological Advances in Traditional Pressure Equipment Industry: Due to extensive applications of traditional pressure equipment and growing requirements for product quality, traditional pressure equipment manufacturers have put efforts in technological advances such as the usage of metal composite materials in the manufacturing

of traditional pressure equipment, the development of standardised pressure equipment, and the application of computer technologies to reduce human errors, guarantee the stability of product quality and ensure the reduction of production cycles and production costs.

High Efficiency and Energy Conservation: Under the global economic consensus to promote energy conservation and emission reduction, the pressure equipment industry is dedicated to increase the research and development to explore the advanced technologies of production process and high-end equipment with energy conservation and environmental protection, and accelerate the transformation and upgrading to the green equipment manufacturing industry. For example, with the implementation of energy conservation and emission reduction in downstream industries such as petrochemical, power, and pharmaceutical industries, efficient heat exchangers will gradually replace ordinary heat exchangers with low efficiency. In view of the growing trend of environmental awareness, we actively explore and integrate energy saving into product design for our customers. For example, we optimise the design of spray ball for cleaning equipment through spray flow pressure calculation, vessel three-dimensional model modelling, spray ball positioning calculation, model assembly and debugging, thereby saving water and electricity usages. In addition, modularisation has been the trend of project design in industries such as oil and gas, chemical, pharmaceutical, electronic chemical and personal care chemical industry. Modularisation reduces the intensity of on-site operation and the emissions on site, and the standardisation improves the convenience and safety of operation and the labour production efficiency, which is conducive to achieving the win-win of economy, environment and society. Moreover, modular pressure equipment and modular factories are particularly applicable for projects with extreme conditions, such as regions with extreme climates, developed countries with high labour cost, undeveloped areas that lack of sufficient infrastructure, and customers with strict manufacturing requirements as well. Therefore, modularisation is one of the future development directions and is expected to be widely applied in oil and gas, chemical, pharmaceutical, and personal care chemical industries.

To adhere to the changing market demand and customers' needs, we have invested, and will continue to invest, in our research and development activities. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our research and development expenses amounted to approximately RMB87.2 million, RMB120.7 million, RMB126.1 million and RMB74.9 million, representing approximately 5.6%, 4.9%, 4.5% and 3.7% of our revenue from Continuing Operations, respectively.

Threats and Challenges

Low Penetration in and Fluctuation of Demands from Downstream Industries: For the past few years, modular pressure equipment is gaining popularity among pharmaceutical enterprises. However, in chemical industry, modular pressure equipment is not frequently adopted in China. Different from pharmaceutical factories, the construction of chemical factories is quite labour-intensive in China. With the economic development, China's demographic dividend is diminishing gradually, leaving a negative impact on labour-intensive industries. Thus, the modular pressure equipment are expected to be gradually accepted by chemical enterprises in the future.

Intense Competition: Most traditional pressure equipment manufacturers and industry-related enterprises especially small and middle-sized companies in China still stay in the traditional industrial production mode, with insufficient design and innovation capabilities and less product differentiation. Therefore, the price-oriented competition in traditional pressure equipment industry has been increasingly fierce, which imposed great pressure of profitability on such traditional pressure equipment manufacturers to maintain competitiveness.

Entry Barriers

Qualification of Production and Regulatory Requirements: The pressure equipment industry is subject to the management of national compulsory license and global standards. The production of pressure equipment has to obtain the corresponding qualifications and licences from relevant authorities, such as production license, safety production license, special equipment design license, and special equipment manufacturing license, etc. Meanwhile, a series of laws and regulations such as the "Special Equipment Safety Law (《特種設備安全法》)" and the "Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》)" have been promulgated in order to ensure the safe operation of pressure equipment, as well as prevent and reduce accidents. The pressure equipment manufacturers and integrated pressure equipment solution providers have to satisfy the regulatory requirements of production management and product quality including material inspection, welding, non-destructive testing, thermal treatment, pressure testing, leak detection, etc.

Capital Investment: The production of pressure equipment requires a large amount of capital investment in plant construction or leasing, manufacturing equipment, testing equipment, raw material procurement, technology development, and employee recruitment. Some leading manufacturers and integrated pressure equipment solution providers have invested in open berths and roll-on/roll-off (Ro-Ro) terminal, which can reduce the time and cost of transportation. Meanwhile, due to the relatively long production cycle, the production of pressure equipment has high requirements for liquid assets, which has been one of the major entry barriers for new entrants in the pressure equipment industry in China.

Technology Capability: Existing pressure equipment manufacturers and integrated pressure equipment solution providers have mature production experience and technology capability with a considerable number of technical personnel. As the customers have higher requirements for the quality, scale, technical parameter and performance of pressure equipment, the pressure equipment manufacturers and integrated pressure equipment solution providers are required to have effective process control, quality management and innovative technologies. Thus, new entrants may face great challenges to meet the high technical requirements in the production of pressure equipment.

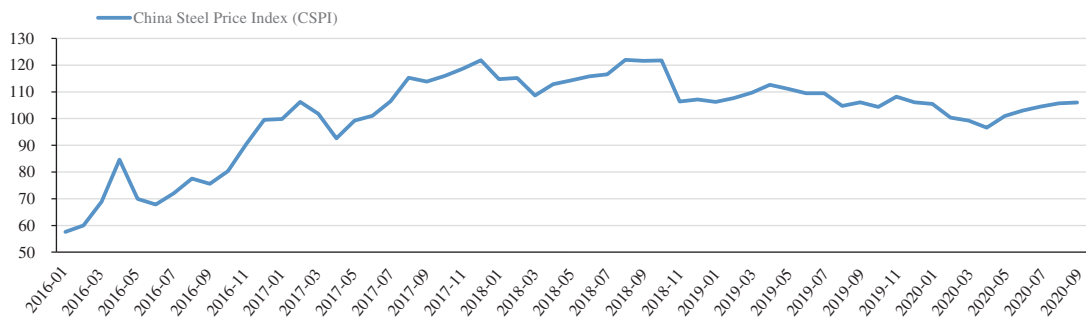
Customer Base and Relationship: Downstream customers often have customised requirements for the pressure equipment. Once they have built a successful cooperation with the pressure equipment manufacturers and integrated pressure equipment solution providers, the customers will have the preference to the existing suppliers. Moreover, existing manufacturers and integrated pressure equipment solution providers have established their own brand reputation among customers and are much easier to attract new customers. Therefore, it is difficult for new entrants to cultivate their own customer bases in a short time.

Project Experience: A typical project in modular pressure equipment industry involves overall project planning, module design, transportation, installation and construction, project testing etc. Rich experience in projects, especially in module design and transportation can help to shorten the project cycle and guarantee the quality of project. Currently, most bidders are required to provide evidence to show its qualifications during bidding phase, which illustrates the importance of project experience.

Specialised Talents: Currently, talents specialised in module design and manufacturing are rare in the market. It is not an easy job to find suitable persons who can master the knowledge of module design and core facility manufacturing, such as high-end pressure vessels and suitable project managers who have rich management experience. For new entrants, the lack of sufficient design talents and experienced project managers will seriously affect the project cycle, the cost and the quality of projects.

Raw Material Analysis

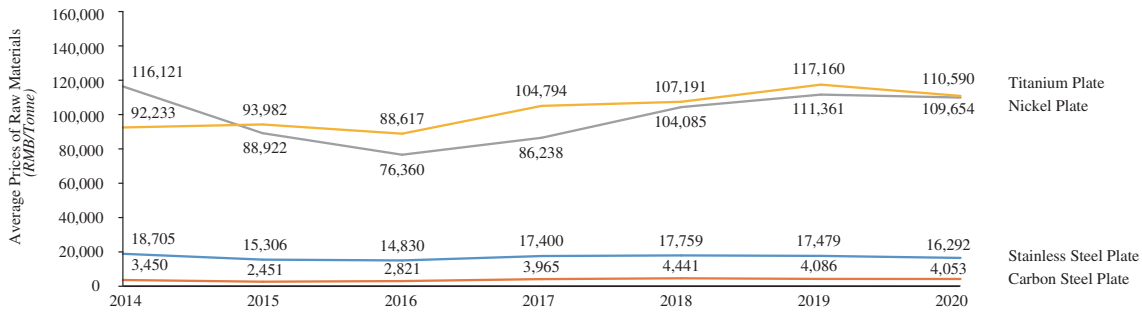
China Steel Price Index, January 2016 – September 2020



Source: China Iron and Steel Association

China Steel Price Index (CSPI), which was published by China Iron and Steel Association (中國鋼鐵工業協會), refers to a monitoring index of market prices of steel products in China based on market prices of various types of representative steel products. CSPI can effectively reflect the trend of market prices of steel products in China.

Average Prices of Raw Materials (China), 2014 – 2020



Source: Frost & Sullivan Analysis

The main raw materials of pressure equipment include stainless steel plate, carbon steel plate and special materials such as nickel plate and titanium plate. The cost of raw materials accounted for approximately 70% of total costs in China's pressure equipment industry in 2020. Normally, the prices of pressure equipment are affected by the fluctuation of the average prices of raw materials.

The average prices of raw materials are generally correlated to the production costs including raw material prices and production processes, and the relationship between supply and demand. From 2014 to 2020, the average price of stainless steel plate decreased from RMB18,705 per tonne to RMB16,292 per tonne, with a CAGR of negative 2.3%. During the same period, the average price of carbon steel plate increased from RMB3,450 per tonne in 2014 to RMB4,053 per tonne in 2020, representing a CAGR of 2.7%. As for special materials, the average prices of titanium plate and nickel plate reached RMB110,590 per tonne and RMB109,654 per tonne in 2020, with a CAGR of approximately 3.1% and negative 1.0% from 2014 to 2020, respectively.

Affected by the COVID-19, the average prices of stainless steel plate, carbon steel plate and nickel plate have experienced a decline in 2020 mainly because the postponed work resumption in construction industry and manufacturing industry has resulted in the decreasing demands. Going forward, mainly owing to the structural adjustment which promotes the balance between the supply and demand, the average prices of raw materials are expected to maintain stable with minor fluctuation.

COMPETITIVE LANDSCAPE

Top 5 Pressure Equipment Manufacturers and Providers of Integrated Pressure Equipment Solution by Sales Revenue (China), 2019

Ranking	Company	Company Type	Listed Company (Y/N)	Market Share (%)
1	Company A	State-owned	Y	3.1%
2	Company B	State-owned	Y	2.3%
3	Company C	State-owned	Y	1.7%
4	Our Group	Non State-owned	N	1.5%
5	Company D	State-owned	N	1.4%
Top 5				10.0%
Others				90.0%
Total				100%

Source: Annual Reports; Frost & Sullivan Analysis

Notes:

(1) Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

(2) Company A is engaged in the design, development and manufacturing for a wide range of transportation, storage and processing equipment used in the energy, chemical and liquid food industries. The main products include storage pressure vessels, tanks and modular offshore engineering equipment.

(3) Company B is a leading EPC general contracting firm in offshore oil and natural gas field in China, producing pressure vessels and modular offshore engineering equipment.

(4) Company C provides complete sets of technical equipment for various industries and military, focusing on heavy pressure vessels and other heavy equipment.

(5) Company D is a national major heavy equipment manufacturing base, covering heavy pressure vessels and large sets of equipment, in metallurgy, mining, energy, transportation, automobile, petrochemical, aerospace and other significant industries.

The pressure equipment industry in China was relatively fragmented, with the top 5 manufacturers and integrated pressure equipment solution providers accounting for approximately 10.0% of total sales revenue of pressure equipment in China in 2019. The sale revenue of our Group reached approximately RMB2.8 billion, ranking 4th in pressure equipment industry in China in 2019. Among the non-state-owned pressure equipment manufacturers and providers of integrated pressure equipment solution, our Group ranked 1st in pressure equipment industry in China in 2019.

Top 5 Pressure Equipment Manufacturers and Providers of Integrated Pressure Equipment Solution in Chemical Industry by Sales Revenue (China), 2019

Ranking	Company	Company Type	Listed Company (Y/N)	Market Share (%)
1	Company C	State-owned	Y	7.0%
2	Company D	State-owned	N	5.9%
3	Company E	State-owned	Y	4.7%
4	Our Group	Non State-owned	N	3.4%
5	Company F	State-owned	N	2.9%
Top 5				23.9%
Others				76.1%
Total				100%

Source: Annual Reports; Frost & Sullivan Analysis

Top 5 Pressure Equipment Manufacturers and Providers of Integrated Pressure Equipment Solution in Pharmaceutical Industry by Sales Revenue (China), 2019

Ranking	Company	Company Type	Listed Company (Y/N)	Market Share (%)
1	Company G	Non State-owned	Y	6.3%
2	Company H	Non State-owned	Y	3.9%
3	Our Group	Non State-owned	N	3.0%
4	Company I	Non State-owned	Y	2.5%
5	Company J	State-owned	Y	1.8%
Top 5				17.5%
Others				82.5%
Total				100%

Source: Annual Reports; Frost & Sullivan Analysis

Notes:

(1) Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

(2) Company E is a major pressure vessel manufacturer in China. It is a pressure vessel and other equipment manufacturer and EPC provider.

(3) Company F is one of the professional manufacturers of modular and integrated equipment for the oil refining, chemical and petrochemical industries.

(4) Company G is one of the leading enterprise in pharmaceutical and medical equipment industry. Its main products include fluid processing system, solution for ampoule and vial injectable products production etc.

(5) Company H is a pharmaceutical equipment supplier that provides core equipment and modular integrated solutions for the pharma and biotech industry in China and the world.

(6) Company I is a professional manufacturer that is concerned with the development, production and marketing of pharmaceutical equipment. Products include pre-processing modules, granulation modules, mixing modules, etc.

(7) Company J is a leading medical instrument group in China, integrating medical devices and equipment manufacturing, pharmaceutical equipment manufacturing, medical service and trade.

Among the pressure equipment manufacturers and providers of integrated pressure equipment solution in chemical and pharmaceutical industries, the sale revenue of our Group reached approximately RMB1.3 billion and RMB0.72 billion, ranking 4th and 3rd in the chemical and pharmaceutical industries in China respectively in 2019.

Top 5 Traditional Pressure Equipment Manufacturers by Sales Revenue (China), 2019

Ranking	Company	Company Type	Listed Company (Y/N)	Market Share (%)
1	Company A	State-owned	Y	3.3%
2	Company C	State-owned	Y	2.4%
3	Company D	State-owned	N	2.1%
4	Company E	State-owned	Y	1.7%
5	Our Group	Non State-owned	N	1.2%
Top 5				10.7%
Others				89.3%
Total				100%

Source: Annual Reports; Frost & Sullivan Analysis

Top 10 Modular Pressure Equipment Manufacturers and Integrated Pressure Equipment Solution Providers by Sales Revenue (China), 2019

Ranking	Company	Company Type	Listed Company (Y/N)	Market Share (%)
1	Company B	State-owned	Y	5.7%
2	Company K	Non State-owned	N	3.4%
3	Company A	State-owned	Y	2.8%
4	Company G	Non State-owned	Y	2.7%
5	Company L	Non State-owned	Y	2.5%
6	Company M	Non State-owned	Y	2.4%
7	Company F	Non State-owned	N	2.0%
8	Our Group	Non State-owned	N	1.9%
9	Company N	Non State-owned	Y	1.7%
10	Company H	Non State-owned	Y	1.7%
Top 10				26.8%
Others				73.2%
Total				100%

Source: Annual Reports; Frost & Sullivan Analysis

Notes:

(1) Sales revenue includes sales revenue to domestic and overseas market by domestic manufacturers.

(2) Company K is a joint venture catering to the Floating Production Storage and Offloading/Floating Liquefied Natural Gas and offshore/onshore module construction market.

(3) Company L is an integrated provider offering modular equipment, offshore engineering and technical supporting services in energy and refinery and chemical industries.

(4) Company M is a company providing high-quality fabrication and construction services for modular equipment in offshore oil and gas, including Liquefied Natural Gas, and mining projects.

(5) Company N is a major offshore and marine modular equipment manufacturer. It is specialised in technologies and engineering construction services including petrochemical, refinery, chemical, LNG and power generation.

The sale revenue of our Group from traditional pressure equipment reached approximately RMB1.6 billion, ranking 5th among the traditional pressure equipment manufacturers in China in 2019 and 1st among the non-state-owned traditional pressure equipment manufacturers in China in 2019, both in terms of sale revenue. The modular pressure equipment industry in China was relatively fragmented, with the top 10 manufacturers and integrated pressure equipment solution providers accounting for approximately 26.8% of total sales revenue of modular pressure equipment in China in 2019. The sale revenue of our Group reached approximately RMB1.08 billion, ranking 8th in modular pressure equipment industry in China in 2019. Among the non state-owned modular pressure equipment manufacturers and integrated pressure equipment solution providers, our Group ranked 6th in modular pressure equipment industry in China in 2019.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Laws and Regulations Relating to Foreign-Invested Enterprise

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》), last repealed by The Special Management Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the "**Negative List**"), which was issued by the NDRC and MOFCOM on 23 June 2020 and implemented on 23 July 2020. The Negative List sets out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are restricted or prohibited for foreign investment.

Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modifications of Foreign Investment Enterprises ("**Interim Administrative Measures**") (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by Ministry of Commerce on 8 October 2016, amended on 30 July 2017 and 29 June 2018, where the incorporation of foreign invested enterprises do not fall within the Negative List, such enterprises shall go through the record-filing procedures online when applying for establishment or modifications registration with Administration of Industry and Commerce. Within the record-filing scope of the Filings Measures, in the case of a change of basic information of the foreign-invested enterprises or their investors, a change of the basic information about the merger and acquisition transaction of the incorporated foreign-invested enterprise, a change of equity (shares) or cooperation interest of the foreign-invested enterprises, merger, division or dissolution, mortgage or transfer of foreign-invested enterprises' property or rights and interests to others and other matters, the foreign-invested enterprises shall file the relevant documents online within 30 days upon occurrence of such changes via the comprehensive administrative system.

On 30 December 2019, MOFCOM and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which came into effect on 1 January 2020 and replaced Interim Administrative Measures. Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

On 15 March 2019, the National People's Congress approved the Foreign Investment Law of the PRC (the "**Foreign Investment Law**") (《中華人民共和國外商投資法》), which came into effect on 1 January 2020. On 26 December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020. The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organisations (collectively the "**foreign investors**") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally.

Laws and Regulations Relating to Special Equipment

Pursuant to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) released by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 June 2013 with effect from 1 January 2014, the state should apply a licensing system to the production of special equipment under the principle of categorised supervision and administration. The state conducts categorised and full-course safety supervision and administration of the production, trading, and use of special equipment. Special equipment producers, traders or users, as well as the primary persons in charge thereof, shall be responsible for the safety of special equipment produced, marketed or used by them. Special equipment producers, traders and users shall have special equipment safety management personnel, testing personnel and operating personnel according to the relevant state provisions, and provide necessary safety education and skill training for them. A special equipment producer shall meet the following conditions and be licensed by the department responsible for special equipment safety supervision and administration before production: (1) having professional technical personnel required by its production; (2) having equipment, facilities and work places required by its production; and (3) having sound quality assurance, safety management and job responsibility rules.

Laws and Regulations Relating to Production Safety

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014 by the SCPNC, production and operations entities shall meet the work safety conditions required by the Work Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities that do not meet such work safety conditions shall not engage in production or operating activities. Entities engaging in the production, operation and storage of hazardous items shall establish a department to carry out safety management or designate personnel solely responsible for work safety management. Production and operating entities shall provide their employees with education and training on work safety to ensure that the employees have the necessary knowledge regarding work safety.

Pursuant to the Interim Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》), promulgated on 14 December 2010 and amended on 2 April 2015 by the State Administration of Work Safety (currently known as the Ministry of Emergency Management), the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, make a safety design chapter, submit to the relevant work safety administrative department for examination or filing, and apply to the work safety administrative department for the completion and acceptance or the filing of its projects. If an enterprise violates the relevant requirements, it may be warned and be ordered to make corrections within a specified time limit. Failure to make correction within the specified time limit may result in the enterprise being ordered to discontinue the construction process or suspend its production and business operation for rectification, and being imposed a fine.

Laws and Regulations Relating to Environmental Protection

Environmental protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated by the SCNPC on 26 December 1989 and was revised on 24 April 2014, and came into force on 1 January 2015. In case of preparing any development and utilisation plan and constructing any project with impacts on the environment, the environmental impact assessment must be carried out in accordance with laws and regulations. Any development and utilisation plans failing to carry out environmental impact assessment in accordance with laws and regulations must not be implemented; for any construction project failing to carry out environmental impact assessment in accordance with laws and regulations, the construction must not be commenced. Any facility for preventing and control of pollution in a construction project must be designed, constructed and put into operation parallel to the progress of the principal part of the project. The facilities for preventing and control of pollution must comply with requirements of approved environmental impact assessment files and must not be dismantled without permission or left idle. Production, storage, transport, selling, use and disposal of chemicals and articles containing radioactive substances must comply with relevant national regulations and prevent pollution of environment.

According to Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) which was promulgated by the SCNPC on 28 October 2002 and was revised on 2 July 2016 and 29 December 2018 and Classified Management Catalog for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價分類管理名錄》) which was stipulated and released by the Ministry of Ecology and Environment and last amended and became effective on 28 April 2018, the states implements classified management on environmental impact assessment of construction projects in accordance with the impact degree on environment of the construction projects. The construction units must organise the preparation of environmental impact reports and environmental impact statements or fill in the environmental impact registration form (the "**environmental impact assessment files**") in accordance with the following regulations: (1) where it is possible to cause any major environmental impact, an environmental impact report must be prepared to assess comprehensively the generated environmental impact; (2) where it is possible to cause any minor environmental impact, an environmental impact statement must be prepared to carry out analysis or special assessment on the generated environmental impact; (3) Where the generated environmental impact is slight and environmental impact assessment is not required, the environmental impact registration form must be filled in.

According to the Regulation on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council of the PRC on 29 November 1998, and latest amended on 16 July 2017 by the State Council and took effect on 1 October 2017, construction units shall, depending on the level of the environmental impacts, report environmental impact reports and the required environmental impact forms prepared by institutions which possess relevant administration. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, the construction units shall inspect and prepare the acceptance report of the completed environmental protection facilities in accordance with the rules and procedures provided by the State Environmental Protection Authorities.Only those construction projects that have been inspected and accepted as qualified may commence the operation or be available for use.

The Interim Method for Completion Acceptance of Environmental Protection for Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) was promulgated and implemented by the former Ministry of Environmental Protection ("**MEP**") (current Ministry of Ecology and Environment) on 20 November 2017. This method specifies the procedures and standards for construction units to carry out environmental protection acceptance after the construction of such projects is completed.

According to the Measures for the Administration of Pollution Discharge Permits (Trial) (《排污許可管理辦法(試行)》) which was promulgated by MEP on 6 November 2017 and amended on 22 August 2019, the MEP shall lawfully formulate and issue the catalogue of classified management of pollutant discharge licences for stationary pollution sources, and define the scope of stationary pollution sources included in pollutant discharge licensing management and the time limit for the application for pollutant discharge licences. Enterprises, public institutions and other production operators (the "**pollutant discharge entities**") included in the catalogue of classified management of pollutant discharge licences for stationary pollution sources shall apply for and obtain a pollutant discharge license as per the prescribed time limit; and, it is temporarily unnecessary for pollutant discharge entities not included in the catalogue of classified management of pollutant discharge licences for stationary pollution sources to apply for a pollutant discharge license. On 20 December 2019, the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019版) 》) was promulgated by Ministry of Ecology Environment. The Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2017 Edition) (《固定污染源排污許可分類管理名錄(2017版)》) was repealed simultaneously.

Laws and Regulations Relating to Radiation Safety

Pursuant to the Law of the PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) released by the SCNPC on 28 June 2003 with effect from 1 October 2003, an entity producing, selling or using radioisotope and ray devices shall, in accordance with the relevant provisions of the State Council on prevention of radioactivity from the radioisotope and ray devices, apply to obtain a permit, and make registration accordingly. An entity producing, selling, using or storing radioactive sources shall set up a sound and safe security system, designate special persons to be responsible for the system, ensure the implementation of the system of liability for safety, and formulate the necessary measures for addressing emergencies in accidents.

According to the Regulations on the Security and Protection of Radioisotope and Radioactive Ray Devices (《放射性同位素與射線裝置安全和防護條例》), which were promulgated by the State Council on 14 September 2005 and revised on 29 July 2014, and 2 March 2019, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which were promulgated by Ministry of Environmental Protection on 18 January 2006 and revised on 21 November 2008 and 12 December 2017, stipulate that any entity engaging in the production, sale or use of radioisotopes or radiation-emitting devices of different categories shall obtain a License for Safe Radiation (輻射安全許可證).

Laws and Regulations Relating to Production Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of products, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (1) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business licence, and (2) criminal liabilities if the illegal activity constitutes crime.

Laws and Regulations Relating to Fire Prevention Management

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), promulgated on 29 April 1998 and amended on 28 October 2008 and 23 April 2019 by the SCNPC, fire control products shall comply with national standards; in lieu of national standards, industry standards shall be complied with. Unqualified fire control products and fire control products which are explicitly listed as obsolete products by the state shall be prohibited from being manufactured, sold or used. Where the organisation failed to configure or install firefighting facilities and equipment or fire safety signs which comply with national or industry standards, or failed to keep firefighting facilities and equipment in good working conditions, it shall be ordered to make correction and be subject to a fine ranging from RMB5,000 to RMB50,000.

Laws and Regulations Relating to Import and Export Goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on 12 May 1994 and subsequently revised on 6 April 2004 and 7 November 2016 and the Measures for the Record and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on 25 June 2004 and subsequently revised on 18 August 2016 and amended on 30 November 2019, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017 and became effective on 5 November 2017, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and

consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (2018 Revision) (《中華人民共和國海關報關單位註冊登記管理規定》(2018修正)) promulgated by the General Administration of Customs on 13 March 2014 and amended on 20 December 2017, 29 May 2018 and became effective on 1 July 2018, the registration of customs declaration entities comprises the registration of the customs declaration enterprise and the registration of the consignor or consignee of imported and exported goods. The consignor or consignee of imported and exported goods shall register with local customs in accordance with the laws.

Laws and Regulations Relating to Taxation

Enterprise Income Tax (the "EIT")

According to the EIT Law (《中華人民共和國企業所得稅法》) which was promulgated by the NPC on 16 March 2007 and then amended respectively on 24 February 2017 and 29 December 2018, and the EIT Implementation Rules (《企業所得稅法實施條例》) which was promulgated by the State Council on 6 December 2007 and was amended on 23 April 2019, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from 1 January 2008. An enterprise established outside the PRC with its "de facto management body" located in the PRC is considered a "resident enterprise", which means it can be treated as domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside the PRC at the reduced rate of enterprise income tax of 10%.

Income Tax in Relation to Dividend Distribution

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by the State Administration of Taxation and became effective on 8 December 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC company; the 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that directly holds less than 25% of the capital of the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation and became effective on 20 February 2009, all of the following requirements must be satisfied for a resident enterprise to enjoy the preferential tax rates provided under the tax

agreements: (i) such a fiscal resident who obtains dividends should be a company as defined in the tax agreement; (ii) the equity and voting interests in the PRC resident enterprise directly owned by such fiscal resident must reach a specified percentage; and (iii) the equity interests of the PRC resident enterprise directly owned by such fiscal resident, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage. If the main purpose of a transaction or an arrangement is to obtain preferential tax treatment, the PRC tax authorities will have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible.

Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-Resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which was issued on 1 November 2015 and revised on 15 June 2018 and 14 October 2019 by the State Administration of Taxation, and became effect on 1 January 2020, according to which, a non-resident taxpayer who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and material stipulated in Article 7 of the measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

The Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (the "Announcement 9"), which was promulgated by the State Administration of Taxation on 3 February 2018 and took effect on 1 April 2018, provides the methods to determine the "beneficial owners" under the treaty articles on dividends, interest and royalties. Pursuant to Announcement 9, a "beneficial owner" generally must be engaged in substantive business activities and, for determining such a "beneficial owner", a comprehensive analysis shall be conducted based on the factors set out in the Announcement 9 and in combination with the actual conditions of the specific case.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and was amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was issued on 25 December 1993 by the Ministry of Finance and revised on 15 December 2008 and 28 October 2011 (collectively, the "**VAT Law**"), the organisations and individuals engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as "**labour services**"), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax ("**VAT**"), and the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated and for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods shall be 11%.

In addition, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) which was issued by the Ministry of Finance and the State Administration of Taxation on 23 March 2016 and came into effect on 1 May 2016, the state started to fully implement the pilot change from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 21 March 2019 and came into effect on 1 April 2019, for VAT taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

Laws and Regulations Relating to Foreign Exchange Control

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (Order No.193 of the State Council) (the "**Foreign Exchange Administration Regulations**"), which was promulgated by the State Council of on 29 January 1996 and was amended on 14 January 1997 and 5 August 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval by the State Administration of Foreign Exchange (the "**SAFE**") or its local counterparts is obtained.

According to the Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**SAFE Circular 19**"), which was promulgated on 30 March 2015 and became effective on 1 June 2015, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution). And foreign-invested enterprises are allowed to settle such portion at 100% of their foreign exchange capital on a discretionary basis. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

According to the Notice of State Administration of Foreign Exchange on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**SAFE Notice 16**"), which was promulgated and became effective on 9 June 2016, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-funded

enterprises, but excluding financial institutions) may also covert their foreign debt from foreign currency into RMB on self-discretionary basis. And SAFE Notice 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital, foreign debt and funds recovered from overseas listing) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

On 23 October 2019, the SAFE promulgated the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) ("**Circular No. 28**"). Pursuant to Circular No. 28, on the basis of allowing investment-oriented foreign-invested enterprise (including foreign-invested investment companies, foreign-invested venture capital enterprises an foreign-invested equity investment enterprises) to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

Labor Laws and Regulations

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007 and was amended on 28 December 2012 and came into effect on 1 July 2013, pursuant to which, employers shall establish an employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

Pursuant to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), promulgated on 27 October 2001 and amended on 31 December 2011, 2 July 2016, 4 November 2017 and 29 December 2018 by the SCNPC, occupational diseases prevention and control work shall be carried out in accordance with the principle of "focusing on prevention while combining prevention with control" by establishing a mechanism featuring employers taking responsibilities, regulation by administrative departments, industry self-discipline, employee participation and social supervision to ensure classified management and comprehensive control. Workers are entitled to occupational hygiene protection law. Employers shall create working environments and conditions that meet the occupational health standards and health requirements of the state and take measures to ensure occupational health protection for the workers.

Social Security

As required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employee (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Administrative Regulation on Housing Provident Fund (《住房公積金管理條例》), enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident fund.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department. Also, it has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and the legal obligations and liabilities of employers who do not comply with relevant laws and provisions on social insurance have been stipulated in detail.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) issued by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, the housing provident fund contributions by employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative centre. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative centre will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

Laws and Regulations Relating to Intellectual Property

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No.10 of SCNPC), which was promulgated on 23 August 1982, and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, came into effect on 1 November 2019, and the Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (Order No.358 of the State Council) which was promulgated by the State Council on 3 August 2002, and amended on 29 April 2014, came into effect on 1 May 2014, the trademark registrant may, by concluding a trademark licensing contract, authorise others to use the registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. For licensed use of a registered trademark, the licensor shall file record of the licensing of the said trademark with the trademark bureau, while non-filing of the licensing of a trademark shall not be contested against a good faith third party.

Patent Law

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) released by the SCNPC on 12 March 1984 which was newly amended on 27 December 2008 and came into force on 1 October 2009, after granting the patent right for an invention or utility model, except otherwise provided in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, manufacture, offer to sell, sell, or import any product containing the patented design for production or business purposes. Once the infringement of patent is decided, the infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damage, etc.

Software Copyright

According to the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) which was promulgated by the State Council on 4 June 1991 and subsequently revised on 20 December 2001 and 30 January 2013 and the Measures for Computer Software Copyright Registration (《計算機軟件著作權登記辦法》) which was promulgated and implemented by the Ministry of Machine Building and Electronics Industry (currently known as the Ministry of Industry and Information Technology (the "**MIIT**")), on 6 April 1992 and subsequently revised by the National Copyright Administration on 20 February 2002, the software copyright holder can register the software copyright registration to the Copyright Protection Center of China, which is the software registration agency identified by the State Copyright Administration.

Domain Name

Pursuant to the Administrative Measures of Internet Domain Name (《互聯網域名管理辦法》) released by the Ministry of Industry and Information Technology on 24 August 2017 with effect from 1 November 2017, those who carry out such activities as service provision, operation and maintenance as well as supervision and administration of internet domains within the territory of the PRC shall be subject to the said measures. The registration of a domain name shall follow the principle of ''registration being granted to the first applicant'', and if it is otherwise provided for in relevant detailed rules for the implementation of domain name registration, such rules shall prevail.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

Every person (a company or individual), carrying on a business in Hong Kong is required by the Business Registration Ordinance to register with the Inland Revenue Department and obtain a business registration certificate within one month of its commencement of the business. Business registration is a process based on application and does not involve government approval. Once the stated criteria are met, a business registration certificate will be granted. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and therefore, designed to facilitate the Inland Revenue Department to collect tax from businesses in Hong Kong. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offense, and shall be liable to a fine of HK$5,000 and to imprisonment for one year.

Laws and Regulations Relating to Taxation

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("**IRO**") is an ordinance for the purposes of imposing taxes on property, earnings and profit in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profit (excluding profit arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

On 21 March 2018, the Legislative Council of Hong Kong (香港立法會) passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**IRO Amendment Bill**"), which introduces the two tiered profit tax rates regime. The IRO Amendment Bill was signed into law on 28 March 2018. Under the two-tiered profit tax rates regime, the first HK$2 million of profit of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profit of group entity not qualifying for the two-tiered profit tax rates regime will continued to be taxed at a flat rate of 16.5%. Accordingly, starting from the year of assessment 2018/19, the Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK$2 million for the qualifying group entity.

In relation to (i) any tax computation containing incorrect information (the "**Incorrect Information**"); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to the prosecutions under section 80(2) or 82(1) of the IRO:

(a) Any person who without reasonable excuse files an incorrect return commits an offense under section 80(2) of the IRO and is liable on conviction to a fine at level 3 (i.e. HK$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct.

(b) Any person who wilfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offense under section 82(1) of the IRO is liable: (i) on summary conviction to a fine at level 3 (i.e. HK$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offense or which would have been undercharged if the offense has not been detected and imprisonment for 6 months; and (ii) on indictment to a fine at level 5 (i.e. HK$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offense or which would have been undercharged if the offense has not been detected and imprisonment for 3 years.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE U.S.

Internal Revenue Service ("IRS")

The IRS is the national taxing authority that is responsible for collecting applicable income taxes. All companies must file the required "tax return" documents with the IRS on a regular basis, usually quarterly and yearly. Corporate income taxes are based on percentage of net income rate passed by the U.S. Congress. In addition, the IRS requires that employers must withhold from the wages it pays to its employees "federal withholding tax" and Social Security tax. "Federal withholding tax" is a percentage of the employee's pay that the employee will have to pay when that employee files his or her own individual income tax documents. These withholding tax deductions are paid to the IRS on a quarterly basis. These withholdings are essentially a prepayment of the anticipated taxes the employee will owe at the end of each year. The Social Security withholding required by the IRS is paid into a separate fund designed to provide a minimum income for disabled and retired Americans, usually when they reach the age of 65 years old.

Patents and Trademark Office

The United States Patent and Trademark Office ("**USPTO**") is the U.S. federal agency for granting U.S. patents, registering trademarks, copyrights and other intellectual property. Once approved by a patent or copyright, the company's intellectual property is protected and any person or entity who utilises the protected property/innovation without the owner's permission is subject to civil liability, up to and including monetary damages and seizure and destruction by Federal Law Enforcement Authorities.

Customs and Border Protection

To the extent that a company is engaged in importing equipment manufactured outside the United States, personnel from the company need to interact with the United States Customs and Border Protection Agency ("**CBP**"). The United States operates in a multifaceted environment of interlocking treaties and agreements governing international trade. The best source for accurate information regarding these various international trade agreements is the CBP website: https://www.cbp.gov/trade. Actions undertaken by the U.S. to streamline this process provides for an online registration and interactive process that greatly speeds up approvals and import duty assessments as are applicable. Utilisation of these tools can assist in, not only shortening the time frames involved, but also accurately estimating the correct amount of import duties, if any, that are applicable to the equipment being imported into the U.S.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN INDIA

Shops and Establishment Legislation

Pharmadule India's registered office is situated in Mumbai, India, accordingly, the provisions of Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017 is applicable to us. The Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017, as amended from time to time, regulates the conditions of work and employment in shops and commercial establishments as well as lays down the procedure for, including among other things, registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures, employment of children and young persons, wages etc.

Employment and Labour Legislations

Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("**EPF Act**") provides or the institution of provident funds, pension fund and deposit-linked insurance fund for employees in factories and other establishments. As per the EPF Act, a factory or an establishment employing 20 (twenty) or more persons, either directly or indirectly, in any capacity whatsoever, is either required to constitute its own provident fund or subscribe to the statutory employee's provident fund. The employer of such factory or establishment is required to make a monthly contribution to the provident fund equivalent to the amount of the employee's contribution to the provident fund. The EPF Act also provides for (a) maintenance of records, registers and form filings, (b) penalties for avoiding payments required to be made under the abovementioned schemes etc. The Central Government under Section 5 of the EPF Act frames Employees Provident Scheme, 1952.

The Employees State Insurance Act, 1948 ("**ESI Act**") provides for certain benefits to employees in case of sickness, maternity and employment injury. Employers of establishments covered by the ESI Act are obligated to insure their employees and are required to make contributions to the Employees State Insurance Corporation, in respect of each employee at the rate prescribed by the Central Government. The ESI Act applies to all factories (including factories belonging to the Government) other than seasonal factories. Additionally, applicable employers are required to register itself under the ESI Act and maintain prescribed records and registers prescribed therein.

The Payment of Gratuity Act, 1972 ("**Gratuity Act**") provides for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments and who have completed 5 (five) years continuous service in the event of their superannuation, retirement, resignation, death or disablement due to accidents or diseases. In case of in case of death or disablement of an employee, 5 (five) years continuous service is not necessary. The gratuity is calculated at the rate of 15 (fifteen) days' wages for every completed year of service with the employer.

Tax Legislations

Income Tax Act, 1961 ("**IT Act**") is applicable to every Domestic / Foreign Company whose income is taxable under the provisions of IT Act and rules made thereunder depending upon its "Residential Status" and "Type of Income" involved. According to Section 139(1) every company is required to file its income tax return for every Previous Year by 31st October of the Assessment Year. Other compliances like those relating to Tax Deduction at Source, Fringe Benefit Tax, Advance Tax, Minimum Alternative Tax and like are also required to be complied by every company.

Goods and Services Tax ("**GST**") is levied jointly by the Central and State Governments on supply of goods or services or both. GST Laws includes: (a) Central Goods and Services Tax Act, 2017 including Central Goods and Services Tax (Extension to Jammu and Kashmir Act, 2017) (b) State Goods and Services Tax Act, 2017 as notified by respective States, (c) Union Territory Goods and Services Tax Act, 2017, (d) Integrated Goods and Services Tax Act, 2017 including Integrated Goods and Services Tax (Extension to Jammu and Kashmir Act, 2017), (e) Goods and Services Tax (Compensation to States) Act, 2017 and various rules and amendments made in relation thereto.

The professional tax slabs in India are applicable to those citizens of India who are either involved in any profession or trade. The State Government of each State is empowered with the responsibility of structuring as well as formulating the respective professional tax criteria and is also required to collect funds through professional tax. The professional taxes are charged on the incomes of individuals, profits of business or gains in vocations. The professional tax is charged as per the List II of the Constitution. The professional taxes are classified under various tax slabs in India. In Maharashtra, the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 ("**Maharashtra Professional Tax**") provides for the levy and collection of a tax on professions, trades, callings and employments for the benefit of the State of Maharashtra. As per the Maharashtra Professional Tax, every person, engaged actively or otherwise in any profession, trade, calling or employment and falling under one or other classes mentioned in Schedule I of the Maharashtra Professional Tax, is liable to pay, to the State Government of Maharashtra, tax at the rate specified under the Schedule I. Employers are required to deduct Profession Tax, at prescribed rates, from the salary or wages paid to employees, and to pay the tax to State Government (irrespective of whether such deduction has been made or not) on behalf of its employees. Every person liable to pay tax under Maharashtra Professional Tax (other than a person earning salary or wages, in respect of whom the tax is payable by the employer), shall obtain a certificate of enrolment from the assessing authority.

Intellectual Property Laws

The Trademarks Act, 1999, the Copyright Act, 1957, the Patents Act, 1970 and the Designs Act, 2000, as each as amended, amongst others govern the law in relation to intellectual property, including brand names, trade names and service marks, layout and research works.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN JAPAN

Labor Law

The Labor Standards Act is a law that applies to all workers and employers in Japan with the exception of a few examples such as national public officers, establishing the minimum standards for working conditions. In the event that an agreement is made in a labour contract that falls below the standards set forth by this Act, such agreement shall inevitably be null and void as a matter of course by law, and the standards set forth by this Act shall apply. Penalties are also provided for violations of this Act.

The purpose of the Labor Contract Act is to contribute to achieving stability in individual employment relationships, while ensuring the protection of workers by providing for the principle of agreement, under which an employment contract is to be established or changed by agreement through voluntary negotiation between a worker and an employer, and other basic matters concerning employment contracts.

Specifically, termination of an employment contract by an employer is strictly restricted; for example, dismissal by an employer is invalid if such dismissal lacks objectively reasonable grounds and is not found to be appropriate in general societal terms. In addition, general rules on the agreement between employees and employers, etc. are provided from the viewpoint of protection of workers; for example, if an employer changes any of the terms and conditions of an employment contract in a manner disadvantageous to a worker by change of the rules of employment, the change of terms and conditions of employment contract must be reasonable, and if the change is not reasonable, the change is invalid.

The purpose of the Industrial Safety and Health Act is to ensure workers' safety and health in the workplace and to facilitate the creation of comfortable work environments, by advancing comprehensive and systematic measures related to industrial injury prevention, such as the taking of measures to establish standards for hazard prevention, clarifying responsibility-taking systems, and promoting voluntary action with a view to preventing industrial injuries. Employers are obligated to formulate an industrial injury prevention plan, establish a system for safety and health management, and so on.

Environmental Law

Waste Management and Public Cleansing Act (Waste Management Act)

The Waste Management Act aims to conserve the living environment and improve public health by limiting the discharge of waste and appropriately disposing of waste.

A company discharging industrial waste shall transport and dispose of industrial waste in accordance with the standards established by the Act and relevant laws and regulations, and in the case of entrusting such transport or disposal to another person, shall entrusting the same to a person designated by the Act or relevant laws and regulations and comply with the standards established by the Act and relevant laws and regulations. Penal provisions are also provided for violations of this Act.

Soil Contamination Countermeasures Act

The purpose of the Soil Contamination Countermeasures Act is to facilitate the implementation of countermeasures against soil contamination by formulating measures to grasp the situation of soil contamination by designated hazardous substances and measures to prevent harm to human health resulting from such contamination, and thereby to protect the health of the citizens. It stipulates, for example, the designation of areas where it is necessary for the relevant authorities to take measures such as investigating the status of soil contamination, removing contamination, and preventing dispersion of contamination.

Water Pollution Prevention Act

The purpose of the Water Pollution Prevention Act is to prevent the pollution of water in areas of public waters and in groundwater by regulating the effluent discharged by factories and workplaces into areas of public waters and the permeation of the effluent underground, and promoting domestic wastewater measures and other related measures, and to protect injured parties by providing the liability of business operators for compensating for loss or damage where public health is negatively affected by polluted water or wastewater discharged from factories and workplaces run by those businesses.

Consumer Law

Product Liability Act

The purpose of the Product Liability Act is to protect the victim by imposing liability of the manufacturer, etc. about compensation for loss or damage if a defect in a product causes damage to life, body, and/or property.

The manufacturer assumes strict liability for any damage to life, body, and/or property caused by a defect in a product when the product lacks safety that it ordinarily should provide (i.e., the product has a defect). Not only the person who manufactured the defective product but also the person who imported it shall assume the same liability as stated above.

Import and Export

Under the Customs Act and the Foreign Exchange and Foreign Trade Act, the import and export of items such as source materials that are likely to be used for the manufacture of chemical weapons, predetermined material processing, etc. are prohibited or subject to permission.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN SWEDEN

Swedish Employment Law

The Work Environment Act (Sw. Arbetsmiljölagen SFS 1977:1160) contains rules on obligations for employers to prevent ill health and accidents at work. Within the Work Environment Act there are also rules on cooperation between employers and employees, for example rules on the activities of safety representatives.

The Employment Protection Act sets forth rules regulating how an employer may handle situations such as dismissals and probationary employment. According to the Employment Protection Act, for example, an employer may not dismiss an employee without having a so-called factual basis. Either the employer must point out that there is a shortage of work or that the dismissal takes place for personal reasons, i.e. that the employee has misbehaved in some way.

Swedish Environmental Law

The Swedish Environmental Code contains a framework of all environmental legislation in Sweden. The main objective of the Swedish Environmental Code is to promote a sustainable development of the environment. Pursuant to the Swedish Environmental Code, both the company and its directors are responsible for any environmental hazardous activities that the company conduct and may therefore be subjected to fines for any wrongdoings or if the hazardous activities are performed without the necessary permits. Besides the Swedish Environmental Code, all companies operating within the EU must comply with the EU regulations regarding the protection of the environment. These regulations include rules regulating the emissions of atmospheric pollutants, the managing of waste, the limitation of usage of chemicals ("**REACH**" and "**CLP**"), the protection of nature and biodiversity, the limitation of industrial pollutions and the handling and recycling of certain packaging materials.

Swedish Law Regarding Exports

The Regulation regarding import and export is the Swedish implementation of the EU regulations regarding import and exports of certain goods to and from the EU. It also regulates which Swedish authorities that are authorised to issue licences in accordance with EU's combined nomenclature regarding tariffs pursuant to Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff.

Product Liability and Product Safety Law

Product Liability Act concerning claims for damages caused by defected products when used within the products normal area of use. The Act stipulates that the producer, the importer, the seller and/or the marketer of the product may be liable for any damages caused to people or property through among other things neglect of the product safety regulations.

Swedish Tax Law

Value Added Tax Act

Value added tax ("**VAT**") is chargeable on all public and private consumption unless the taxable entity is exempt from taxation. The main rate under the Value Added Tax Act is 25 percent – however on some consumables there are reduced rates of either 0 percent, 6 percent or 12 percent (the most common exceptions from the main rate are foods, medical services and cultural activities). The Value Added Tax Act stipulates the exceptions from either taxation at all or when the reduced rates shall apply.

Income Tax Act

The framework legislation regarding taxation of all taxable private and public individuals and entities in Sweden. The Income tax Act is divided into chapters regulating taxation of labour, taxation of businesses and taxation of incomes from investments. The basis of taxation is the income earned during the calendar year. What constitutes income, costs and how it is computed is determined in accordance with the Income Tax Act.

The main taxation rate for Limited Liability Companies operating in Sweden is 21.4 percent but will gradually be lowered to 20.6 percent in 2021.

Swedish Intellectual Property Law

The European Union has acted to harmonise the legislation regarding trademarks within the Union. As a step to achieve this harmonisation the EU established the European Intellectual Property Office (EUIPO) alongside a number of regulations, of which the latest was introduced and came in force on 1 October 2017 ((EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark).

Under the European regulation regarding trademarks, all signs capable of distinguishing goods and services can be protected and registered. Once registered the trademarks are protected for a period of 10 years and can be renewed multiple times for periods of ten years.

Besides the EU regulations, Sweden has adopted its own Trademarks Act aimed to complement the EU Trademarks regulations as a protection for solely Swedish trademarks.

OVERVIEW

Our business can be traced back to 1990 when Morimatsu Pressure Vessel was first established in the PRC. We inherited from Morimatsu Industry, our controlling shareholder, the Japanese craftsmanship, and mainly manufactured traditional pressure equipment and sold it to customers in the PRC at the initial development of our Group. With our advanced manufacturing skills and our continuous effort in research and development, we have achieved rapid development and established a strong position in the PRC since our inception. In 2002, we started to export our traditional pressure equipment overseas. Leveraging our expertise in designing and manufacturing traditional pressure equipment, we started offering modular pressure equipment in 2005 and completed the first modular factory project in 2007. We have also developed our capability to serve a broad range of downstream industries, including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries.

BUSINESS MILESTONES

The following table sets out the key milestones of our business development:

Year	Event
1990	Establishment of Morimatsu Pressure Vessel which marked the commencement of our business in the PRC
2000	Obtained ASME U Stamp certification
2001	Obtained the design and manufacturing license of class 1, 2 and 3 pressure vessels in the PRC
2002	Undertook the first overseas project where we exported products to a customer in Germany. This was the first time that China exported products to Germany in accordance with Pressure Equipment Directive (PED) specifications.
2005	Completed first modular pressure equipment project of process module skid in Mexico
2007	Completed first modular factory project in Spain
2009	Obtained ASME U2 Stamp certification
	Obtained the certificate of High Technology Enterprises

Year	Event
2011	The first phase of the Nantong production base and the office building was completed and commenced in use
2013	Completed first overseas end to end project in Sweden
2016	Completed one of Asia's largest integrated refining projects
2017	Established Pharmadule India
2019	The third phase of the Nantong production base and the office building passed the completion acceptance check
2020	Undertook the first digital operation service project

CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group comprises our Company, Morimatsu China, Morimatsu Heavy Industry, Morimatsu Pharmaceutical Equipment, Pharmadule India, Morimatsu Investment HK, Pharmadule Sweden, Morimatsu Japan, Morimatsu Italy and Pharmadule US.

1. Our Company

Our Company was incorporated in Hong Kong with limited liability on 23 July 2019. Our Company is principally engaged in investment holding. As at the Latest Practicable Date, our Company was wholly owned by Morimatsu Industry. For further details of the corporate development of our Company, please refer to the paragraphs headed "– Reorganisation – 5. Incorporation of our Company" in this section.

2. Morimatsu China

Morimatsu China was established in the PRC with limited liability on 7 June 2010 with an initial registered capital of US$30,000,000, which was subsequently increased to US$100,260,000 immediately before the Reorganisation. Morimatsu China is principally engaged in investment holding. Since its establishment and immediately before the Reorganisation, Morimatsu China was wholly owned by Morimatsu Industry.

As part of the Reorganisation, (i) pursuant to the Demerger, Morimatsu China was demerged into two companies, namely, Morimatsu China and Morimatsu Seiki, and the registered capital of Morimatsu China reduced from US$100,260,000 to US$59,731,000 and remained wholly owned by Morimatsu Industry after the Demerger. For further details, please refer to the paragraphs headed "– Reorganisation – 4. The Demerger" in this section; and (ii) pursuant to the equity transfer agreement dated 22 October 2020, Morimatsu Industry transferred the entire equity interest in Morimatsu China to our Company. For further details, please refer to the paragraphs headed "– Reorganisation – 8. Acquisition of Morimatsu China by our Company" in this section. Upon completion of the said transfer, Morimatsu China will be wholly owned by our Company.

3. Morimatsu Heavy Industry

Morimatsu Heavy Industry was established in the PRC with limited liability on 13 May 2008 with an initial registered capital of US$33,300,000. Morimatsu Heavy Industry is principally engaged in design and manufacturing of pressure equipment and provision of integrated pressure equipment solutions. The following table sets out the changes in registered capital and shareholders of Morimatsu Heavy Industry since its establishment and up to the Latest Practicable Date:

Date	Change	Registered share capital immediately after the change	Shareholding percentage immediately after the change
Upon establishment	–	US$33,300,000	(i) Research Institution (40%); (ii) Morimatsu Technology (30%); (iii) Morimatsu Chemical Equipment (10%); (iv) Morimatsu Industry (10%); and (v) Tap Mate (10%)
29 September 2010	Transfer of 23.39%, 14.86% and 8% equity interest from Morimatsu Technology, Research Institution and Tap Mate to Morimatsu China	US$33,300,000	(i) Morimatsu China (46.25%); (ii) Research Institution (25.14%); (iii) Morimatsu Technology (6.61%); (iv) Morimatsu Chemical Equipment (10%); (v) Morimatsu Industry (10%); and (vi) Tap Mate (2%)
2 March 2011	Transfer of 10% equity interest from Morimatsu Industry to Morimatsu China	US$33,300,000	(i) Morimatsu China (56.25%); (ii) Research Institution (25.14%); (iii) Morimatsu Technology (6.61%); (iv) Morimatsu Chemical Equipment (10%); and (v) Tap Mate (2%)

Date	Change	Registered share capital immediately after the change	Shareholding percentage immediately after the change
3 May 2011	Increase in registered capital by US$30,000,000	US$63,300,000	(i) Morimatsu Industry (47.39%); (ii) Morimatsu China (29.6%); (iii) Research Institution (13.22%); (iv) Morimatsu Technology (3.48%); (v) Morimatsu Chemical Equipment (5.26%); and (vi) Tap Mate (1.05%)
29 September 2012	Increase in registered capital by US$15,000,000	US$78,300,000	(i) Morimatsu China (43.08%); (ii) Morimatsu Industry (38.32%); (iii) Research Institution (10.69%); (iv) Morimatsu Chemical Equipment (4.25%); (v) Morimatsu Technology (2.81%); and (vi) Tap Mate (0.85%)
10 December 2014	Increase in registered capital by US$24,300,000	US$102,600,000	(i) Morimatsu China (47.474%); (ii) Morimatsu Industry (29.24%); (iii) Research Institution (10.058%); (iv) Morimatsu Technology (6.491%); (v) Morimatsu Chemical Equipment (5.614%); and (vi) Tap Mate (1.123%)
21 October 2015	Transfer of 1.123% equity interest from Tap Mate to Morimatsu China	US$102,600,000	(i) Morimatsu China (48.597%); (ii) Morimatsu Industry (29.24%); (iii) Research Institution (10.058%); (iv) Morimatsu Technology (6.491%); and (v) Morimatsu Chemical Equipment (5.614%)
7 January 2016	Morimatsu Technology merging with and absorbing Research Institution	US$102,600,000	(i) Morimatsu China (48.597%); (ii) Morimatsu Industry (29.24%); (iii) Morimatsu Technology (16.549%); and (iv) Morimatsu Chemical Equipment (5.614%)
15 October 2018	Transfer of approximately 29.24%, 16.55% and 5.61% equity interest from Morimatsu Industry, Morimatsu Technology and Morimatsu Chemical Equipment to Morimatsu China, respectively	US$102,600,000	(i) Morimatsu China (100%)

4. Morimatsu Pharmaceutical Equipment

Morimatsu Pharmaceutical Equipment was established in the PRC with limited liability on 29 November 2001 with an initial registered capital of US$1,000,000. Morimatsu Pharmaceutical Equipment is principally engaged in design and manufacturing of pressure equipment and provision of integrated pressure equipment solutions. The following table sets out the changes in registered capital and shareholders of Morimatsu Pharmaceutical Equipment since its establishment and up to the Latest Practicable Date:

Date	Change	Registered share capital immediately after the change	Shareholding percentage immediately after the change
Upon establishment	–	US$1,000,000	(i) Tap Mate (100%)
19 September 2007	Increased in registered capital by US$2,500,000	US$3,500,000	(i) Morimatsu Industry (71.4%); and (ii) Tap Mate (28.6%)
9 September 2011	Transfer of 5.71% equity interest from Tap Mate to Morimatsu Industry	US$3,500,000	(i) Morimatsu Industry (77.14%); and (ii) Tap Mate (22.86%)
9 December 2011	Transfer of 77.14% equity interest from Morimatsu Industry to Morimatsu China	US$3,500,000	(i) Morimatsu China (77.14%); and (ii) Tap Mate (22.86%)
19 October 2015	Transfer of 22.86% equity interest from Tap Mate to Morimatsu China	US$3,500,000	(i) Morimatsu China (100%)

5. Pharmadule India

Pharmadule India was established in India with limited liability on 15 May 2017. Pharmadule India is principally engaged in design and trading of pharmaceutical pressure equipment. Upon its incorporation and up to the Latest Practicable Date, Pharmadule India was owned as to 99% by Morimatsu Pharmaceutical Equipment and 1% by Morimatsu China.

6. Morimatsu Investment HK

Morimatsu Investment HK was incorporated in Hong Kong with limited liability on 30 September 2013. Morimatsu Investment HK has not commenced business since its incorporation and is intended to be a trading arm of our Group in Hong Kong. Upon its incorporation and up to the Latest Practicable Date, Morimatsu Investment HK was wholly owned by Morimatsu China.

7. Pharmadule Sweden

Pharmadule Sweden was incorporated in Sweden with limited liability with an initial share capital of SEK50,000 on 3 March 2011. It is principally engaged in design and sales of modular pressure equipment in pharmaceutical industry. On 21 March 2011, Morimatsu Industry acquired Pharmadule Sweden as a shelf company from a secretarial service provider at the consideration of SEK50,000, being the then share capital of Pharmadule Sweden. Upon completion of the said acquisition on 30 March 2011 and immediately before the Reorganisation, Pharmadule Sweden was wholly owned by Morimatsu Industry.

On 13 June 2011, the share capital of Pharmadule Sweden increased from SEK50,000 to SEK2,000,000 with the increased share capital subscribed by Morimatsu Industry.

As part of the Reorganisation, on 15 July 2020, Morimatsu Industry transferred 20,000 shares of Pharmadule Sweden, representing its entire shareholding, to our Company. For further details, please refer to the paragraphs headed "– Reorganisation – 7. Acquisition of Pharmadule Sweden by our Company" in this section. Upon completion of the said transfer and up to the Latest Practicable Date, Pharmadule Sweden was wholly owned by our Company.

8. Morimatsu Japan

Morimatsu Japan was incorporated in Japan by Morimatsu Industry with limited liability on 31 January 2014. It was originally the plan of Morimatsu Industry to use Morimatsu Japan to take over its water tank business in Japan. Such plan was subsequently aborted due to the substantial amount of transitional time and costs involved. The directors of Morimatsu Industry subsequently considered the possible and large marketing efforts and financial costs which will be incurred to facilitate a newly incorporated entity in Japan to obtain orders independently and to establish its own customer base and cancelled the said plan. As such, Morimatsu Industry continued to operate its own water tank business and Morimatsu Japan has not commenced business since its incorporation. Our Group intends to utilise Morimatsu Japan as its platform to facilitate its sales and marketing activities in Japan.

As part of the Reorganisation, on 30 November 2019, Morimatsu Industry transferred 80,000 shares of Morimatsu Japan, representing its entire shareholding, to our Company. For further details, please refer to the paragraphs headed "– Reorganisation – 6. Acquisition of Morimatsu Japan by our Company" in this section. Upon completion of the said transfer and up to the Latest Practicable Date, Morimatsu Japan was wholly owned by our Company.

9. Pharmadule US

Pharmadule US was incorporated in the United States with limited liability on 30 June 2011 as a general stock corporation and authorised to issue common stock of 1,000 shares with no par value. It is a trading arm of our Group in the United States. Upon its incorporation and up to the Latest Practicable Date, Pharmadule US was wholly owned by Pharmadule Sweden.

10. Morimatsu Italy

Morimatsu Italy was incorporated in Italy with limited liability on 26 November 2020. Morimatsu Italy has not commenced business since its incorporation and is intended to be a design and marketing center of our Group in central and south Europe. Upon its incorporation, and as of the Latest Practicable Date, Morimatsu Italy was wholly owned by Pharmadule Sweden. For further details, please refer to the paragraphs headed "– Reorganisation – 9. Incorporation of Morimatsu Italy" in this section.

CEASED SUBSIDIARIES

The following companies ceased to be our subsidiaries after the Reorganisation.

Morimatsu Process Equipment

Morimatsu Process Equipment was established in the PRC with limited liability on 15 June 2007. Immediately prior to the Reorganisation, it was owned as to 86.09% by Morimatsu Pharmaceutical Equipment. Morimatsu Process Equipment had previously engaged in provision of installation service of pressure equipment for Morimatsu Pharmaceutical Equipment. Morimatsu Process Equipment subsequently ceased business operation since September 2016 after Morimatsu Pharmaceutical Equipment took over the business of Morimatsu Process Equipment. In order to streamlining the structure of our Group, as part of the Reorganisation, on 3 August 2018, Morimatsu Process Equipment was deregistered and ceased to be a subsidiary of our Group.

Our Directors confirm that Morimatsu Process Equipment was solvent, and was not involved in any pending or unresolved arbitration or legal proceedings, or had any material non-compliances, immediately prior to its deregistration.

Morimatsu Solar Technology

Morimatsu Solar Technology was established in the PRC with limited liability on 12 February 2007. Immediately prior to the Reorganisation, Morimatsu Solar Technology was owned as to 80% by Morimatsu China. Pursuant to and immediately after completion of the Demerger, 80% equity interest of Morimatsu Solar Technology became held by Morimatsu Seiki and Morimatsu Solar Technology ceased to be a subsidiary of our Group. For further details, please refer to the paragraphs headed "– Reorganisation – 4. The Demerger" in this section.

Morimatsu Solar Technology previously and mainly engaged in the manufacture and sales of specialised pressure equipment for application in the semiconductor, lithium-ion battery and waste sorting industries, and to a less extent in the manufacture of traditional pressure equipment in chemical and electronic chemical industries. After the Demerger, other than to continue its contracts of traditional pressure equipment in hand, Morimatsu Solar Technology ceased to carry out the business relating to traditional pressure equipment and

only continued the business relating to the specialised pressure equipment, and the business relating to traditional pressure equipment was and will be carried out by our Group. Our Directors consider the respective business operations of our Group and of Morimatsu Solar Technology to be non-competitive and delineated from each other. For further details of the delineation of business operations between Morimatsu Solar Technology and our Group, please refer to the paragraphs headed "Relationship with our Controlling Shareholders – Delineation of Business" in the prospectus. In view of the business delineation, and taking into account the following features of the principal business of Morimatsu Solar Technology: (i) the early development stages and hence uncertainty of its future business performance; (ii) the high technical threshold and demand for research and development investment while lack of synergy effects to the principal business of our Group; and (iii) the relative vulnerability of its downstream industries towards government policies, our Directors consider it is in the best interest of our Company and its Shareholders as a whole not to include the principal business of Morimatsu Solar Technology in our Group's business.

Our Directors confirm that Morimatsu Solar Technology was solvent, and was not involved in any pending or unresolved arbitration or legal proceedings, or had any material non-compliances, immediately prior to the Demerger.

Morimatsu Chemical Equipment

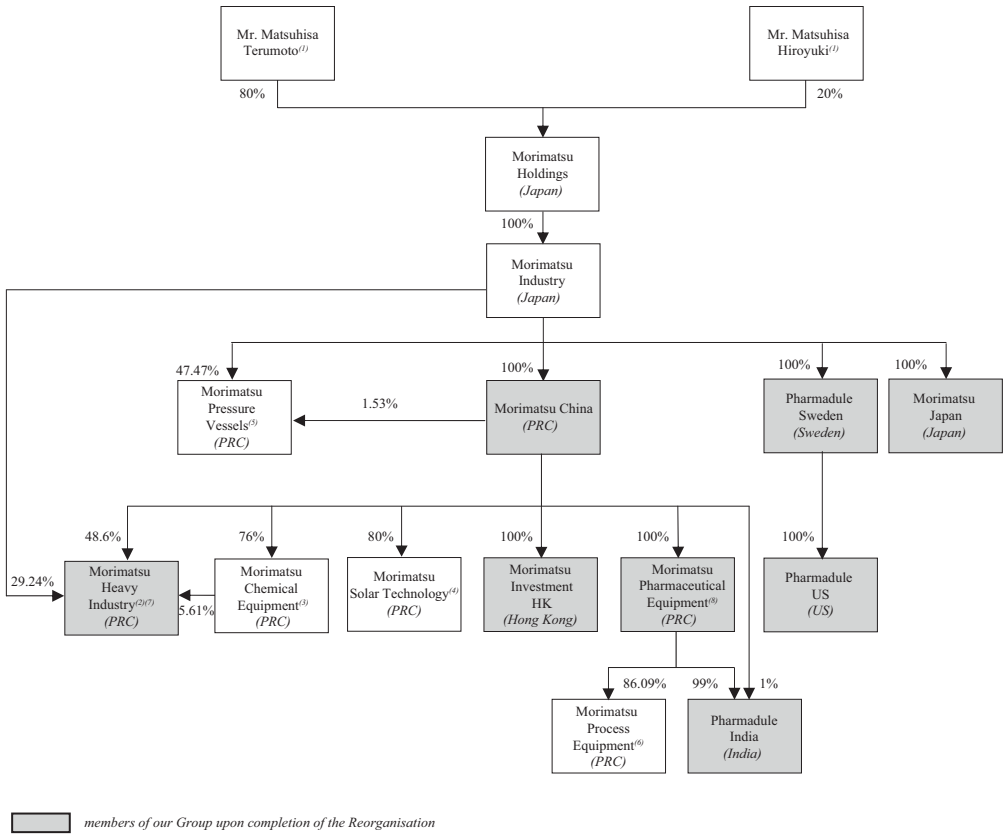
Morimatsu Chemical Equipment was established in the PRC with limited liability on 17 November 2004. Immediately prior to the Reorganisation, Morimatsu Chemical Equipment was indirectly owned as to a total of 94% by Morimatsu Industry with 76% through Morimatsu China and 18% through Morimatsu Technology, respectively. Pursuant to and immediately after completion of the Demerger, 76% equity interest of Morimatsu Chemical Equipment became held by Morimatsu Seiki and Morimatsu Chemical Equipment ceased to be a subsidiary of our Group. For further details, please refer to the paragraphs headed "– Reorganisation – 4. The Demerger" in this section.

Morimatsu Chemical Equipment previously engaged in the manufacture of traditional pressure equipment in chemical industry, and after the Demerger, other than to continue its contracts of traditional pressure equipment in hand, Morimatsu Chemical Equipment ceased to carry out business of traditional pressure equipment, and the aforesaid business was and will be carried out by our Group. As at the Latest Practicable Date, save for the investment holding of the industrial properties located in Shanghai, part of which are leased to our Group as our Shanghai production base, Morimatsu Chemical Equipment has no material business operation. For further details of Morimatsu Chemical Equipment, please refer to the paragraphs headed "Relationship with our Controlling Shareholders – Delineation of Businesses" in this prospectus.

Our Directors confirm that Morimatsu Chemical Equipment was solvent, and was not involved in any pending or unresolved arbitration or legal proceedings, or had any material non-compliances, immediately prior to the Demerger.

REORGANISATION

The following diagram shows the shareholding and corporate structure of our Group immediately before the Reorganisation:



Notes:

(1) There are 764,280 issued shares of Morimatsu Holdings, among with 1,000 are voting shares and 763,280 are non-voting shares. Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki holds 80% and 20% of the issued voting shares of Morimatsu Holding, respectively. Shareholders of the non-voting shares do not have any voting right at the general meeting of shareholders of Morimatsu Holdings. For details of the shareholding structure of Morimatsu Holdings, please refer to the paragraphs headed "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this prospectus.

(2) The remaining approximately 16.55% equity interest in Morimatsu Heavy Industry was held by Morimatsu Technology. As part of the Reorganisation, the aforesaid 16.55% equity interest in Morimatsu Heavy Industry has been transferred to Morimatsu China as at the Latest Practicable Date. For further details, please refer to the paragraphs headed "— Reorganisation — 1. Acquisition of Morimatsu Heavy Industry by Morimatsu China" in this section.

(3) The remaining 18% and 6% equity interest in Morimatsu Chemical Equipment was held by Morimatsu Technology and Senhe Investment, respectively.

(4) The remaining 20% equity interest in Morimatsu Solar Technology was held by Senhe Investment.

(5) The remaining 51% equity interest in Morimatsu Pressure Vessel was then held by Senhe Investment.

(6) The remaining 13.91% equity interest in Morimatsu Process Equipment was held by Senhe Investment.

(7) Morimatsu Heavy Industry has a branch company in Shanghai.

(8) Morimatsu Pharmaceutical Equipment has three branch companies in Zhuqiao Town (Pudong New District, Shanghai), Nantong and Wuhan, respectively. Immediately prior the Reorganisation, Morimatsu Pharmaceutical Equipment held approximately 35.85% equity interest in Senhe Investment. As part of the Reorganisation, Morimatsu Pharmaceutical Equipment ceased to hold any equity interest in Senhe Investment by way of capital reduction. For further details, please refer to the paragraph headed "— Reorganisation — 2. Exit of investment through capital reduction in Senhe Investment by Morimatsu Pharmaceutical Equipment" in this section.

In preparation for the Global Offering, we carried out a series of restructuring steps for the purpose of establishing and streamlining our corporate structure for the Listing and to facilitate our growth and expansion strategy.

1. Acquisition of Morimatsu Heavy Industry by Morimatsu China

Immediately prior to the transfers, Morimatsu Heavy Industry was held as to approximately 48.60%, 29.24%, 16.55% and 5.61% by Morimatsu China, Morimatsu Industry, Morimatsu Technology and Morimatsu Chemical Equipment, respectively. Pursuant to three separate equity transfer agreements all dated 10 October 2018, Morimatsu Industry, Morimatsu Technology and Morimatsu Chemical Equipment transferred approximately 29.24%, 16.55% and 5.61% equity interest in Morimatsu Heavy Industry to Morimatsu China at the consideration of JPY3,303,651,620, JPY1,869,884,894 and RMB38,699,109, respectively, all of which were determined based on the net asset value of Morimatsu Heavy Industry. Upon completion of the said transfers on 15 October 2018 and up to the Latest Practicable Date, Morimatsu Heavy Industry was wholly owned by Morimatsu China.

2. Exit of investment through capital reduction in Senhe Investment by Morimatsu Pharmaceutical Equipment

Immediately prior to the capital reduction, Morimatsu Pharmaceutical Equipment held approximately 35.85% equity interest in Senhe Investment and the remaining 64.15% equity interest was held in aggregate by 38 individual shareholders (all being employees of Morimatsu Pressure Vessel). Pursuant to the written resolutions of the shareholders of Senhe Investment dated 13 April 2018, Morimatsu Pharmaceutical Equipment reduced and withdrew its capital contribution of RMB17,923,600, representing approximately 35.85% equity interest, in Senhe Investment and the registered capital of Senhe Investment reduced from RMB50,000,000 to RMB32,076,400. Upon completion of the said capital reduction, Morimatsu Pharmaceutical Equipment ceased to hold any equity interest in Senhe Investment.

3. De-registration of Morimatsu Process Equipment

Pursuant to the written resolutions of its shareholders dated 12 February 2018, Morimatsu Process Equipment applied for the deregistration. On 3 August 2018, Morimatsu Process Equipment was deregistered and ceased to be a subsidiary of our Group. For details of Morimatsu Process Equipment, please refer to the paragraph headed "Ceased Subsidiaries — Morimatsu Process Equipment" in this section.

4. The Demerger

Prior to the Demerger, Morimatsu China held equity interests in the following entities: (i) 100% equity interest in Morimatsu Heavy Industry; (ii) 100% equity interest in Morimatsu Pharmaceutical Equipment; (iii) 100% equity interest in Pharmadule India (99% through Morimatsu Pharmaceutical Equipment and 1% directly); (iv) 100% equity interest in Morimatsu Investment HK; (v) 80% equity interest in Morimatsu Solar Technology; (vi) 76% equity interest in Morimatsu Chemical Equipment; and (vii) 1.53% equity interest in Morimatsu Pressure Vessel. (i) to (iv) are collectively referred as the "**Retained Interests**" and (v) to (vii) are collectively referred as the "**Excluded Interests**").

On 30 May 2019, in relation to the Demerger, a demerger agreement was entered into between Morimatsu China and Morimatsu Seiki, which was subsequently amended by a supplemental agreement dated 30 September 2019, to demerge Morimatsu China into two separate companies, namely, Morimatsu China and Morimatsu Seiki, whereby the Retained Interests remained to be held by Morimatsu China and the Excluded Interests became to be held by Morimatsu Seiki. On 1 June 2019, a shareholders' meeting of Morimatsu China was convened and resolved to undergo the Demerger. The registered capital, assets and liabilities of Morimatsu China and Morimatsu Seiki shall be calculated based on the book value of the identifiable assets and liabilities relating to the respective businesses as at 30 September 2019 as appraised by an independent valuer in the PRC.

In preparation for the Listing, it was intended that our Group's Continued Operations would be included in our Group for the purpose of the Listing while the businesses other than our Group's Continued Operations would be excluded. As a result, Morimatsu China underwent the Demerger, whereby the Retained Interests remained to be held by Morimatsu China and the Excluded Interests became to be held by Morimatsu Seiki, and accordingly as at and with effect from 30 September 2019, the Continuing Operations and the relevant operational contracts were and will be entered into and carried out by Morimatsu China through its subsidiaries while the Discontinued Operations and the relevant operational contracts were and will be entered into and carried out by Morimatsu Seiki, through its subsidiaries, Morimatsu Solar Technology and Morimatsu Chemical Equipment.

Considering (i) the Discontinued Operations have been and will be entered into and carried out by Morimatsu Solar Technology and Morimatsu Chemical Equipment prior to and subsequent to the Demerger, and as advised by the PRC Legal Advisers that according to the Company Law of the PRC, a company shall enjoy the status of an enterprise legal person and bears civil liabilities independently according to the relevant laws, Morimatsu Chemical Equipment and Morimatsu Solar Technology, as two independent enterprise legal persons, instead of our Group (including Morimatsu China), shall bear their respective civil liabilities independently and be liable for any liabilities or obligations (including contingent liabilities) relating to the Discontinued Operations prior to/subsequent to the Demerger; (ii) Morimatsu China, being the subject company of the Demerger, have been an investment holding company and without any material business operations prior to and subsequent to the Demerger and has never provided any guarantee to Morimatsu Chemical Equipment and Morimatsu Solar

Technology against any liabilities (including contingent liabilities) or obligations relating to the Discontinued Operations, and hence will not be subject to any liabilities (including contingent liabilities) or obligations relating to business operations; (iii) as at 30 September 2019, being the effective date of the Demerger, there was no contingent liability in relation to the Discontinued Operations; and (iv) there was no assignment of third party liabilities from Morimatsu Solar Technology and Morimatsu Chemical Equipment to our Group as a result of the Demerger, our Directors are of the view that our Group would not be held liable for any liabilities or obligations (including contingent liabilities) relating to businesses other than our Group's Continued Operations prior to/subsequent to the Demerger. Nonetheless, pursuant to the Deed of Indemnity, our Controlling Shareholders have given indemnity in favour of our Company against any liabilities or obligations relating to the businesses other than our Group's Continued Operations prior to/subsequent to the Demerger, which has occurred at any time on or before the Listing Date.

Upon completion of the Demerger, each of Morimatsu Solar Technology and Morimatsu Chemical Equipment ceased to be a subsidiary of our Group. Our Directors confirm that to the best of their knowledge after due and careful enquiry, prior to the Demerger, Morimatsu Solar Technology and Morimatsu Chemical Equipment were not involved in any material legal proceedings or disputes, and they had complied with all applicable laws and regulations in all material aspects in the PRC.

5. Incorporation of our Company

On 23 July 2019, our Company was incorporated in Hong Kong with limited liability with a share capital of HK$100,000 divided into 100,000 shares, which were allotted and issued as fully paid to Morimatsu Industry. On 22 October 2020, 100,000 Shares were further allotted and issued as fully paid to Morimatsu Industry in relation to the acquisition of Morimatsu China by our Company. For details, please refer to the paragraph headed "— Reorganisation — 8. Acquisition of Morimatsu China by our Company" in this section. Since its incorporation and up to the Latest Practicable Date, our Company was wholly owned by Morimatsu Industry.

6. Acquisition of Morimatsu Japan by our Company

Pursuant to the share purchase agreement dated 30 November 2019, Morimatsu Industry transferred the 80,000 shares of Morimatsu Japan, representing its entire shareholding, to our Company at the consideration of JPY38,000,000, which was determined with reference to the net asset value of Morimatsu Japan based on its management accounts as at 30 November 2019. Upon completion of the said transfer on 30 November 2019, and up to the Latest Practicable Date, Morimatsu Japan was wholly owned by our Company.

7. Acquisition of Pharmadule Sweden by our Company

Pursuant to the share purchase agreement dated 15 July 2020, Morimatsu Industry transferred 20,000 shares of Pharmadule Sweden, representing its entire shareholding, to our Company at the consideration of HK$18,970,000 (equivalent to SEK 22,850,000 at the exchange rate on 30 June 2020), which was determined based on the net asset value of Pharmadule Sweden. Upon completion of the said transfer on 15 July 2020 and up to the Latest Practicable Date, Pharmadule Sweden was wholly owned by our Company.

8. Acquisition of Morimatsu China by our Company

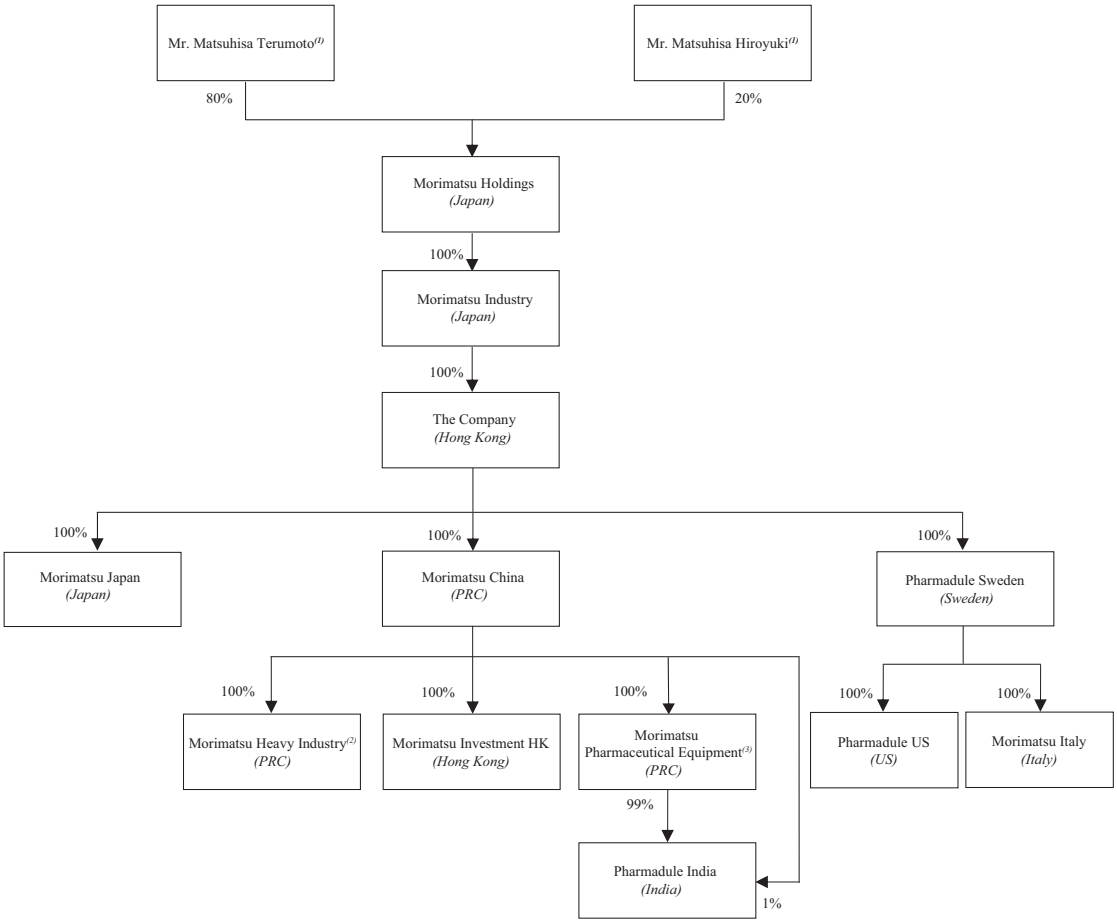
Pursuant to the equity transfer agreement dated 22 October 2020, Morimatsu Industry transferred the entire equity interest in Morimatsu China to our Company at a consideration which was equivalent to the then registered capital of Morimatsu China. The consideration was satisfied by us through allotment and issue of 100,000 Shares as fully paid to Morimatsu Industry. Upon completion of the said transfer on 11 November 2020 and up to the Latest Practicable Date, Morimatsu China was wholly owned by our Company.

9. Incorporation of Morimatsu Italy

On 26 November 2020, Morimatsu Italy was incorporated in Italy with limited liability with an initial share capital of EUR200,000 contributed by Pharmadule Sweden. Morimatsu Italy has not commenced business yet. Since its incorporation and up to the Latest Practicable Date, Morimatsu Italy was wholly owned by Pharmadule Sweden.

After consulting with our legal advisers of the relevant jurisdictions, and taking into account their views, we believe that all share transfers in relation to the Reorganisation as mentioned above have been duly authorised, legally completed, and do not contravene the articles of incorporation of the relevant subsidiaries of our Group.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Global Offering and the Bonus Issue:



Notes:

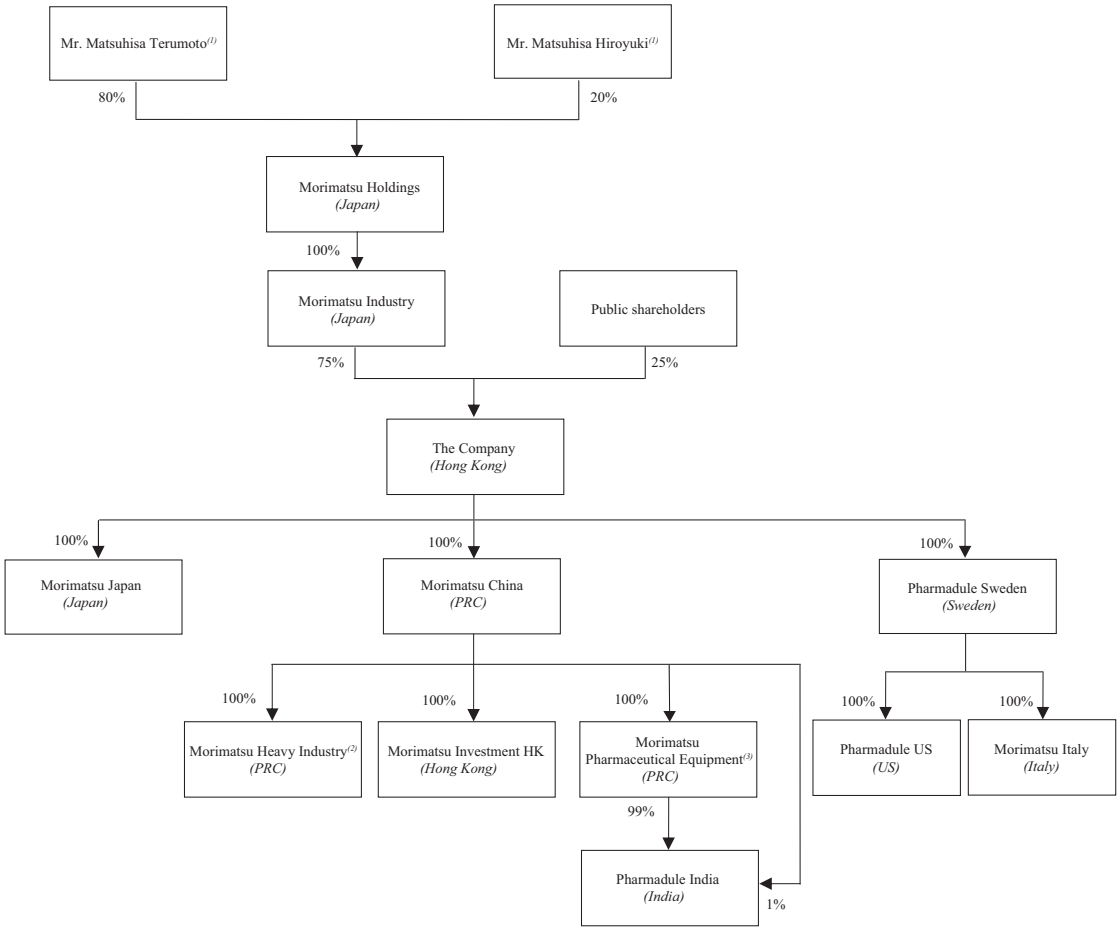
(1) There are 764,280 issued shares of Morimatsu Holdings, among which 1,000 are voting shares and 763,280 are non-voting shares. Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki holds 80% and 20% of the issued voting shares of Morimatsu Holdings, respectively. Shareholders of the non-voting shares do not have any voting right at the general meeting of shareholders of Morimatsu Holdings. For details of the shareholding structure of Morimatsu Holdings, please refer to the paragraphs headed "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this prospectus.

(2) Morimatsu Heavy Industry has a branch company in Shanghai.

(3) Morimatsu Pharmaceutical Equipment has three branch companies in Zhuqiao Town (Pudong New District, Shanghai), Nantong and Wuhan, respectively.

GLOBAL OFFERING AND BONUS ISSUE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Global Offering and the Bonus Issue, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme:



Notes:

(1) There are 764,280 issued shares of Morimatsu Holdings, among which 1,000 are voting shares and 763,280 are non-voting shares. Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki holds 80% and 20% of the issued voting shares of Morimatsu Holdings, respectively. Shareholders of the non-voting shares do not have any voting right at the general meeting of shareholders of Morimatsu Holdings. For details of the shareholding structure of Morimatsu Holdings, please refer to the paragraphs headed "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this prospectus.

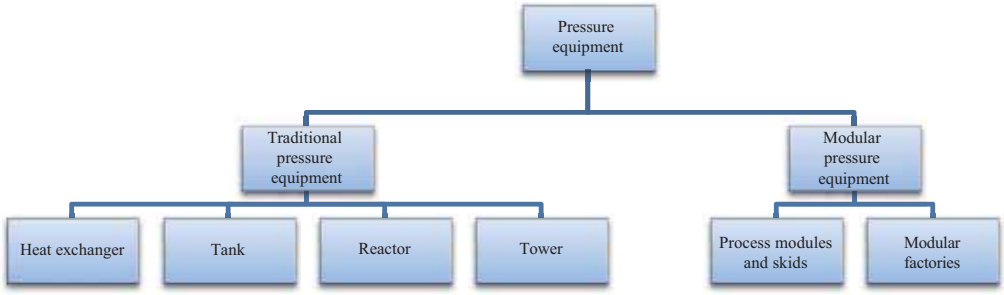
(2) Morimatsu Heavy Industry has a branch company in Shanghai.

(3) Morimatsu Pharmaceutical Equipment has three branch companies in Zhuqiao Town (Pudong New District, Shanghai), Nantong and Wuhan, respectively.

OVERVIEW

We are a leading pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC offering traditional pressure equipment, modular pressure equipment and value-added services associated with the pressure equipment, with a strong market position in the PRC. According to F&S Report, we were the fourth largest pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC with a market share of approximately 1.5% and the largest non-state owned pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC, both in terms of sales revenue in 2019. For each of the traditional pressure equipment segment and modular pressure equipment segment, we were the fifth and eighth largest manufacturer in the PRC with market share of approximately 1.2% and 1.9%, respectively, in terms of sales revenue in 2019.

We offer comprehensive pressure equipment tailored to address specific requirements of our customers. We generally provide a combination of design, procurement, manufacturing, installation, testing and commissioning, and after-sales technical support services. Our pressure equipment is customised based on customers' requirements on a project basis. Set out below is the types of the pressure equipment we mainly offered during the Track Record Period:



Traditional pressure equipment is used in industrial production to complete the production process of reaction, mass transfer, heat transfer, separation and storage, and can withstand pressure loads (internal and external pressure), according to F&S Report. The types of traditional pressure equipment we offer mainly include heat exchangers, tanks, reactors and towers. Leveraging our expertise in designing and manufacturing traditional pressure equipment, we started offering modular pressure equipment in 2005. Modular pressure equipment is a system of facilities that integrate pressure vessels and other facilities, equipment or devices into one module, operate independently to achieve one or more relatively complete process flows, and can be transported, hoisted and installed as a whole, according to F&S Report. The types of modular pressure equipment we offer include process modules and skids, and modular factories.

To complement our pressure equipment offering, we also offer value-added services associated with the pressure equipment to our customers, including validation, maintenance, design, and digital operation services. For details, please refer to the paragraph headed "Business Model — Providing value-added services associated with the pressure equipment".

We generally undertake pressure equipment projects in downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. In particular, we had a strong position in offering pressure equipment in pharmaceutical and chemical industry. According to F&S report, we ranked the third and fourth amongst the pressure equipment manufacturers and providers of integrated pressure equipment solution in pharmaceutical and chemical industry in the PRC in terms of sales revenue in 2019, with a market share of approximately 3.0% and 3.4%, respectively.

The requirements of traditional pressure equipment and modular pressure equipment vary across industries, as well as countries. We have obtained more than 20 industrial licences/certificates granted by relevant authorities in both the PRC and overseas as to our conformity with industry standards. With our strong design and manufacturing capabilities, we are able to offer traditional pressure equipment and modular pressure equipment in a number of overseas markets in addition to the PRC, such as North America, Europe, Asia (excluding mainland China), South America, Africa and Oceania. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue derived from products and services delivered overseas amounted to approximately RMB1,031.8 million, RMB925.9 million, RMB1,039.2 million and RMB950.8 million, representing approximately 65.7%, 37.5%, 36.8% and 47.2% of our total revenue from Continuing Operations, respectively.

We believe that our research and development capabilities contribute significantly to our success. We have an in-house research and development team which enables us to keep abreast of the industry trend and introduce new and high quality products to suit our customers' preferences. We have our own research and development centres located in our production bases in Shanghai and Nantong. Leveraging our strong product design and development capabilities as well as advanced technologies and expertise, we also have developed our own platform iMES, which supports certain key procedures in our operations from design, procurement, manufacture, delivery to financial management. We have adopted advanced technology, such as 4D simulation, 3D scanning, virtual reality, remote inspection platform, and digital installation platform, which allowed us to facilitate faster site installation, faster project delivery, and great flexibility with low delivering cost. We have obtained the certificate of High Technology Enterprises and are currently entitled to a preferential income tax rate of 15% on their taxable income, respectively. The qualification of Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry as High Technology Enterprises is currently valid through November 2018 to November 2021 and December 2018 to December 2021, respectively. Additionally, we have also received certain awards in recognition of our research and development ability. For details, please refer to the paragraph headed "Awards and Recognitions" in this section. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our research and development expenses amounted to approximately RMB87.2 million, RMB120.7 million, RMB126.1 million and RMB74.9 million, respectively.

Due to our strong capability of design, research and development and manufacturing, we have long and stable relationship with our key customers, and have cooperated with many renowned customers during the Track Record Period, such as Wanhua Chemical, INEOS, Shell, bp, TechnipEnergies, Samsung Engineering, SynTheAll Pharmaceuticals, Covestro, Novartis, Wuxi Biologics Co., Ltd., Walvax, P&G, and Unilever.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue from Continuing Operations was approximately RMB1,570.1 million, RMB2,467.9 million, RMB2,826.3 million and RMB2,014.0 million, respectively. The following table sets forth the breakdown of our revenue from Continuing Operations by product/service for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		**2018**		**2019**		**2019**		**2020**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Traditional pressure equipment	544,592	34.7	1,059,704	42.9	1,647,930	58.3	1,244,683	59.2	1,110,199	55.1
– heat exchangers	131,079	8.3	304,513	12.3	671,261	23.8	466,721	22.2	326,696	16.2
– tanks	128,376	8.2	126,049	5.1	341,550	12.1	240,327	11.4	286,179	14.2
– reactors	70,455	4.5	502,319	20.4	506,988	17.9	428,402	20.4	414,723	20.6
– towers	214,682	13.7	126,823	5.1	128,131	4.5	109,233	5.2	82,601	4.1
Modular pressure equipment	954,647	60.8	1,337,045	54.2	1,076,133	38.1	814,969	38.8	848,651	42.1
– process modules and skids *(Note 1)*	953,499	60.7	1,286,593	52.1	896,702	31.7	629,890	30.0	669,701	33.3
– modular factories *(Note 2)*	1,148	0.1	50,452	2.1	179,431	6.4	185,079	8.8	178,950	8.8
Value-added services *(Note 3)*	29,466	1.9	31,955	1.3	24,939	0.9	18,339	0.9	39,873	2.0
Others *(Note 4)*	41,392	2.6	39,165	1.6	77,328	2.7	22,398	1.1	15,234	0.8
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Notes:

1. A process module or skid generally refers to an assembly of pressure vessel products with other components in structure. Process module is designed to realise a certain process or a function and needs to be assembled with other process modules to achieve relatively complete process flows, and a skid usually contains a complete process system and multiple skids can be combined to create larger process systems or entire portable plants.

2. A modular factory is assembled by multiple process modules or skids, which are manufactured in our factory and transported to customer site and then assembled into a factory.

3. Value-added services include design, validation and maintenance services.

4. Others mainly include sales of raw materials and scrap materials.

COMPETITIVE STRENGTH

We believe our success and potential and future growth are attributable to the following competitive strengths:

The advanced craftsmanship we inherited from our Japanese controlling shareholder, coupled with China's overall strength in manufacturing industry, solidified the foundation for our business development

Our Controlling Shareholder, Morimatsu Industry, founded in 1964, has been engaging in manufacture and selling water tanks and water supply equipment for construction sites, as well as steel plate used in the production of aircraft and rocket fuselage shell. Morimatsu Industry is a pioneer in developing durable, safe and anti-corrosive materials used in its production, and has extensive manufacturing techniques and experiences. Since the establishment of Morimatsu Pressure Vessel in 1990, we inherited from Morimatsu Industry the Japanese craftsmanship, including focus on details and pursuit of perfection, as well as the perseverance in achieving the highest level of design, quality and manufacturing standards. The experience sharing and technology inherited from Morimatsu Industry helped us improve our overall technical level, and master the advanced knowhow and expertise to improve working efficiency, product quality and safety. As a result, we were capable to complete certain projects requiring advanced processing technique at our early stage, which laid a foundation for us to tap into the overseas market.

Moreover, with our production bases in the PRC, we can manufacture our products efficiently and economically, thereby enhancing our price competitiveness. We have two production bases in Shanghai and Nantong, which are located in the Yangtze River Delta region, one of the most established industrial regions in the PRC. Our Shanghai production base has a GFA of approximately 57,150 sq.m., with 14 production workshops. Our Nantong production base has a GFA of approximately 121,618 sq.m., with nine production workshops. In addition, we have our own port at our Nantong production base, which, according to the certificate of engineering completion check of the port, has one berth capable of accommodating barges or vessels up to class of 10,000 dwt, and has annual traffic capacity up to 511,500 dwt. Our port close to Yangtze River has been integrated into our logistic systems. Domestic and international cargo ships or barges could enter or depart from our port directly without transshipment, thereby facilitating the transportation of mega-sized and heavy duty pressure equipment or large amount of raw materials in and out of our port without occurring extra inland transit transportation costs, which not only enhances the efficiency of our transportation but also lowers our operational costs. Moreover, a custom office was set up in our port which enables us to perform on site inspection of our pressure equipment directly at our port, saving us custom clearance time and improve our custom clearance efficiency.

According to the F&S Report, the Yangtze River Delta region is one of the most established industrial regions in the PRC. The location of our production bases in this region not only provides efficient transport of raw materials, parts and components and finished products, but also provides us with requisite professional talents, which in turn enhance our design, manufacturing and delivery competitiveness.

We have a strong market position in the PRC

We are a leading pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC offering traditional pressure equipment, modular pressure equipment and value-added services associated with the pressure equipment, with a strong market position in the PRC. According to the F&S Report, we were the fourth largest pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC in terms of sales revenue in 2019 with a market share of approximately 1.5% and the largest non-state owned pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC in terms of sales revenue in 2019. For each of the traditional pressure equipment segment and modular pressure equipment segment, we were the fifth and eighth largest manufacturer in the PRC with market share of approximately 1.2% and 1.9%, respectively, in terms of sales revenue in 2019.

Since our inception in 1990, we have been engaging in the design, manufacture and delivery of pressure equipment for over 29 years. We have obtained more than 20 industrial licences/certificates granted by relevant authorities in both the PRC and overseas as to our conformity with industry standards. We have received certain awards in recognition of our pressure equipment design, research and development ability not only from our customers but also from public authorities. For example, we were awarded by public authorities as High Technology Enterprises in 2009, "Shanghai Enterprise Technology Centre (上海市企業技術中心)" in 2016, "Shanghai Science and Technology Little Giant Enterprise (上海市科技小巨人企業)" in 2015 and "Nantong Engineering Technology Research Center" in 2014. In addition, we were awarded by Samsung Engineering, one of our customers, as "Excellent Supplier" in 2017 and were awarded by P&G, one of our customers, as "External Business Partner Excellence Award" and "Excellent Supplier" in 2018. For details, please refer to the paragraph headed "Awards and Recognitions" in this section.

We ranked the fifth among the traditional pressure equipment manufacturers in terms of sales revenue in the PRC in 2019, with market share of approximately 1.2%, according to F&S Report. We have the abilities to design, manufacture and deliver a variety of traditional pressure equipment up to 1,400 tonnes, with primary focus on heat exchangers, tanks, reactors and towers for application in various industries. With our extensive experience in the manufacture of traditional pressure equipment, we have the capabilities to manufacture traditional pressure equipment that is made of special materials such as titanium, titanium alloy, nickel, nickel alloy and zirconium, in addition to carbon steel and stainless steel that are commonly used. With our extensive experience in the traditional pressure equipment industry, we have been able to maintain a solid market position and a stable and loyal customer base.

Leveraging our expertise in designing and manufacturing customised traditional pressure equipment, we completed our first modular pressure equipment project in 2005 and were regarded as one of the early market entrants in the PRC. According to F&S Report, we ranked the eighth among the modular pressure equipment manufacturers in terms of sales revenue in the PRC in 2019, with market share of approximately 1.9%. We mainly undertake modular pressure equipment projects in pharmaceutical, personal care chemical, electronic chemical and oil and gas industries. In particular, we ranked the third amongst the modular pressure

equipment manufacturers and providers of integrated pressure equipment solution in the pharmaceutical industry in the PRC in terms of sales revenue in 2019, with a market share of approximately 4.1%. Modularisation enables project owners to shorten the time to market, reduce costs and improve efficiency. According to the F&S Report, China's modular pressure equipment industry had a CAGR of 20.6% from 2014 to 2019, and its market share in the overall pressure equipment industry has increased from 18.0% in 2014 to 30.8% in 2019. Therefore, it is expected that modularisation is one of the future development directions and is expected to be widely applied in various industries including oil and gas chemical, pharmaceutical, electronic chemical and personal care chemical industries. As one of the leading modular pressure equipment manufacturers in the pharmaceutical in the PRC, we believe we are well-positioned to leverage our skills in manufacturing modular pressure equipment to capture the potential growth of the demand for modular pressure equipment in other industries.

Our internationalisation business strategy enables us to expand our customer base worldwide

With our international qualifications and having subsidiaries overseas, we are able to achieve internationalisation and serve our international customers and undertake overseas projects effectively.

We have obtained the various industrial licences/certificates issued by relevant accrediting institutions in both the PRC and overseas as to our conformity with industry standards. As at the Latest Practicable Date, we have obtained licences/certificates for manufacturing pressure equipment that comply with relevant industry standards in overseas countries additional to the PRC, including the U.S. and some European countries, which enable us to deliver projects to over 45 countries. This also demonstrates that we are a widely recognised worldwide manufacturer of pressure equipment.

In addition, we have established subsidiaries overseas. Pharmadule Sweden, one of our overseas subsidiaries, was highly recognised in design and sale of modular pressure equipment in pharmaceutical industry. We have also established subsidiaries in India, Japan, the U.S. and Italy, respectively. We mainly offer design, procurement and customer services to our overseas customers through our overseas subsidiaries. With our operations strategically located in various countries in Asia, North America and Europe, we are able to acquire a better understanding of the different design and engineering requirements of customers in different territories, as well as to offer our services to multinational customers effectively. We undertook our first overseas project on traditional pressure equipment and first overseas project on modular pressure equipment in 2002 and 2005, respectively. We believe that our internationalisation business strategy reduces the risks relating to cyclicality of regional economies. Since then we have delivered projects to over 45 countries and developed a worldwide customer base, which included some well-established multinational enterprises, such as Wanhua Chemical, INEOS, Shell, bp, TechnipEnergies, Samsung Engineering, SynTheAll Pharmaceuticals, Covestro, Novartis, Wuxi Biologics Co., Ltd., Walvax, P&G, and Unilever. For the years ended 31 December, 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue derived from products and services delivered overseas

amounted to approximately 65.7%, 37.5%, 36.8% and 47.2% of our total revenue from Continuing Operations, respectively.

Our expertise in diversified downstream industries enables us to serve multi-industries

With the high quality and adaptability of our products, together with our strong design and service capabilities, our products are widely applied in a broad range of downstream industries, primarily including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. We have a team of design and manufacturing experts specialised in the main downstream industries we engaged in. With those experts' experience and expertise, we are able to meet specified design and manufacturing requirements in different downstream industries. We believe that the diversity of the downstream industries that we are capable to serve enables us to better withstand the periodic business and economic cycles of different industries.

In addition, we consider that compared to traditional pressure equipment, the offering of modular pressure equipment, which requires accurate design, advanced processing techniques and effective project management, could better reflect our competitive edge. With over 15 years of experience in offering modular pressure equipment, we have the capabilities to undertake modular pressure equipment projects in various downstream industries such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. In particular, we had a strong position in offering modular pressure equipment in the pharmaceutical industries. According to the F&S Report, we ranked the third amongst the modular pressure equipment manufacturers in the pharmaceutical industry in the PRC in terms of sales revenue in 2019, with a market share of approximately 4.1%. We believe that we are well-positioned to leverage our competitive edge to capture the growing demand for modular pressure equipment in industries such as chemical and pharmaceutical.

We possess strong research and development capabilities

We believe that our research and development capabilities contribute significantly to our success. We have an in-house research and development team, which enables us to introduce new and high quality products to suit our customers' preferences. We have our own research and development centres located in our production bases in Shanghai and Nantong. Our research and development capability is evidenced by our accreditation as the High Technology Enterprises awarded in 2009 and our achievement of certain awards in recognition of our research and development ability. In addition, three of our projects have been awarded "Transformation Projects of High Technology Achievements (高新技術成果轉化項目)", which enables us to have the qualification to apply for the research and development funding and enjoy preferential policies from the government of Shanghai. For details, please refer to the paragraph headed "Awards and Recognitions" in this section.

As at the Latest Practicable Date, our in-house research and development team comprised approximately 323 employees, which included 259 specialised research officers, 63 assistant research officers and a head of research and development. Our head of research

and development has over 20 years of experience in research, design and management. Moreover, we have collaborated with several universities in the PRC with a view to further enhancing our research and development capability. We have entered into collaborative arrangement with Shanghai Jiao Tong University and East China University of Science and Technology to take advantage of the research skills and technology of the universities to optimise our product designs, enhance the quality of our pressure equipment, improve our manufacturing technology, and co-develop pressure equipment to be kept abreast with latest industry trend. In addition, to enlarge our talent pool, we also offered internship opportunities to students of Shanghai Jiao Tong University and East China University of Science and Technology and then recruited the desired graduates based on their performance after the internship. We also sponsored our research and development employees to attend training courses related to our industry offered by universities in the PRC and overseas to enhance their research capability.

We conducted research and development activities in three main aspects: product, platform and engineering. Our product research and development activities mainly focus on diversifying our product portfolio, as well as improving the product performance, such as the efficiency, functions and usages of products, aiming to design and manufacture products that satisfy the specific requirements of customers. In addition, we develop our own platform and software, such as the iMES, which not only can enhance our operational efficiency but also can improve our value-added services to customers. Our engineering research and development activities mainly focus on creating innovative and pioneer solutions and services to our customers based on customers' needs and the latest development of the application industries.

In light of our research and development efforts, as at the Latest Practicable Date, we had 150 registered patents (including 29 invention patents, 119 utility model patents and two industrial designs), 17 copyrights for our software, and 95 applications for patent in the PRC. We have also registered a total of 94 trademarks in the PRC, Hong Kong and overseas. In addition, we are the registered owner of seven domain names.

Our management team has extensive industry knowledge and experience

Our management team has extensive industry knowledge, operational experience and management skills. With majority of our management team having experience in the pressure equipment industries, our management team, with an average of over 22 years' experience, is able to identify and pursue market opportunities, and formulate and implement development strategies effectively. In particular, Nishimatsu Koei (西松江英), our executive Director and chief executive officer, has around 29 years of experience in pressure equipment industry, and was a recipient of 2018 Magnolia Award. Hirazawa Jungo (平澤準悟), our executive Director and chief finance officer, has around 12 years of experience in accounting, auditing and financial management. Tang Weihua (湯衛華), our executive Director, has over 21 years of experience in pressure equipment industry. Sheng Ye (盛曄), our executive Director, has around 25 years of experience in pressure equipment industry. Kawashima Hirotaka (川島宏貴), our executive Director, has around 24 years of experience in pressure equipment industry.

Our senior management team have an in-depth understanding of the development trend of the manufacturing industry, which is the key to our strategic plans. In addition, we have a passionate, dedicated and experienced mid-level management team responsible for our operation, development and sales, to support the management of our senior management. Our senior and mid-level management team have led our Group through different development stages, including our entrance to overseas market, construction of our own Nantong production base, expanding our business to offer modularisation solutions and implementation of our internationalisation strategy. This enabled us to evolve from a manufacturer that was only capable to produce simple traditional pressure equipment to a solution provider equipped with international design, manufacturing and sales capabilities to offer traditional pressure equipment and modular pressure equipment for application in various industries in over 45 countries.

We believe that with the accumulated years of operational and management experience, our management team is able to capture market opportunities appropriate for our Group and formulate and implement sound business strategies that will allow our Group to attain sustainable business growth in the long run. Please refer to the section headed "Directors and Senior Management" for further details on the qualifications and experience of our Directors and management team.

BUSINESS STRATEGIES

We will continue to focus our business development on offering traditional pressure equipment and modular pressure equipment, and enhance and diversify our value-added services associated with the pressure equipment

According to F&S Report, most traditional pressure equipment manufacturers and industry-related enterprises, especially the small and middle-sized companies in China with insufficient design and innovation capabilities and less product differentiation, still stay in the traditional industrial production mode. Thus, we aim to capture the ongoing opportunities and maintain our competitiveness in the traditional pressure equipment segment by leveraging our strong research and development capabilities.

Modularisation is also an important strategy for our future development. Modular projects have demonstrated the advantages of high quality, short construction period, low cost and easy management, and according to F&S Report, has been the trend of project design in industries such as oil and gas, chemical, pharmaceutical, electronic chemical and personal care chemical industry. With our high-quality modular engineering capabilities, we have become a competitive modular pressure equipment provider in the PRC in pharmaceutical industry. Capitalising on such leading position, we believe we are well-positioned to capture the potential growth of the modular projects in other industries. A such, we are committed to providing our global customers with economical and competitive solutions by enhanced modular planning, construction, delivery and comprehensive value-added services to enhance our competitiveness in the modular pressure equipment segment.

With our strong research and design, manufacturing and engineering integration capabilities, to complement our pressure equipment offering, we will diversify our value-added services. To this end, we plan to research and develop our own software to enhance our digital operation services such as equipment operation and maintenance, data collection, spare parts management, and manufacturing process analysis and consultation.

We will also continue to leverage our in-house technical knowhow and expertise to design and improve our products and value-added services so as to cater for and adapt to customers' needs. We believe that the continuous improvement of our pressure equipment and quality of our services will strengthen our relationship with high-end customers and enhance our overall industry position and market reputation.

We intend to consolidate our leading position in certain selected downstream application industries, tap into new industry needs, and maintain relationships with major customers

We have established leading position and accumulated valuable experience in certain downstream application industries, such as chemical and pharmaceutical. Leveraging our established reputation and quality products, we intend to continue to attract new customers in these industries through more comprehensive value-added services. In addition, the application industries of pressure equipment are extensive. The market development of such industries will directly affect the demand for our products. Therefore, we intend to further explore opportunities in new industries such as information and communications technology to diversify our product portfolio such as data centre, as well as to enlarge our customer base, to alleviate the market risk associated with the downstream application industries.

We also plan to strengthen our business relationship with major customers by enhancing and expanding our products and services. We aim to expand our product offering to provide customers with products along the upstream and downstream of the relevant application industries to capture business opportunities and further strengthen our relationship with customers.

We plan to enhance production capacity, optimise production process and increase management efficiency

For the production of heavy-duty equipment such as traditional pressure equipment, the production workshop and key production equipment may not be used interchangeably in a short-term. During the Track Record Period, our production facilities in the PRC maintained relatively high utilisation rate. To satisfy our customers' needs, we plan to enhance the production capacity of our Nantong production base by building four new production workshops for processing heavy-duty traditional pressure equipment, assembling heavy-duty traditional pressure equipment and assembling modular pressure equipment respectively. In addition, we also intend to purchase a land adjacent to our Nantong production base with a total of GFA of approximately 200,000 sq.m. to expand our production capacity. We also plan to purchase new production machinery and equipment to enhance our production capabilities.

Moreover, we intend to upgrade and develop software and hardware for product design and operation data analysis and calculation to optimise production process and management efficiency. For example, the main systems used by us in our business operations are the ERP PLM system developed by a third-party vendor and our self-developed platform iMES, which support certain key procedures in our operations from design, procurement, manufacture, delivery to financial management. We intend to upgrade and enhance the integration of these IT systems with an aim to improve our procurement, design, production and inventory management, thereby reducing the idle time, optimising the utilisation of our production machinery and equipment and production workshops, and reducing stocking up of inventory, which in turn reducing our overall production costs. In addition, we also plan to upgrade our factories to digital factories to achieve the integration and automation of all kinds of machinery, equipment, and operation system to increase our management and production efficiency.

We intend to enhance our research and development capabilities

To further strengthen our market position, we intend to further enhance our research and development capabilities, particularly to enhance our technological reserve and offer innovative solutions which create additional value for our customers. We also intend to continue to capitalise on our research and development strengths to develop new technologies and products to maintain and enhance our position as a leading pressure equipment manufacturer and service provider. To this end, we plan to devote more resources and time into researching, analysing, and launching more innovative and advanced products, system, and technology used in manufacturing pressure equipment. To this end, the system and technology we intend to research and develop include wet granulation technology, isolator technology, technology related to biological fermentation and reactor manufacturing process, standardisation and marketisation of multi-linked bioreactors, disposable liquid dosing system, disposable bioreactor, disposable perfusion system, ultrafiltration module technology. The products we intend to research and development include process module for recycling of sulfur dioxide solution, robot workstation isolator, modular factory containing indoor modules, modular datacenter, modular utilities, and modular hospital.

We intend to further enhance our research and development capabilities by various means, including (i) increasing our internal research and development resources by recruiting or retaining the core research and development employees, and purchasing laboratory equipment and research and development materials, and (ii) enhancing collaboration with academic institutions. Currently, we rely heavily on internal employee advancement with a few outside recruitments to create our talent pool. To parallel with our strategy in achieving our global presence to meet customers' needs, we plan to expand our research and development team and raise our technical standards. To this end, we will enhance our current team of talents by offering competitive compensation schemes, employee incentive schemes and continuous training to cope with competitions in the industry. Furthermore, we will increase our outside recruitment and increase the proportion of employees with more international experience. We will also continue our cooperation with renowned universities to explore more research topics on pressure equipment to advance the competitiveness of our products. We believe our research and development efforts will continue to contribute to our sustainable development.

We will continue to internationalise our market profile to satisfy global customers' needs

We will continue to implement the internationalisation strategy. Pressure equipment is essential equipment in most manufacturing industries in the world. To this end, as a leading pressure equipment manufacturer and service provider in the PRC, we will continue to offer products and services to customers globally through internationalisation. As at the Latest Practicable Date, we had five operating overseas subsidiaries, namely Pharmadule Sweden, Pharmadule US, Morimatsu Italy, Morimatsu Japan and Pharmadule India. Pharmadule Sweden is well recognised in design and sale of modular pressure equipment in pharmaceutical industry. Pharmadule US and Pharmadule India serve and support our project exploration and development in North America and Asia markets, respectively.

In future, we plan to advance our internationalisation strategy through establishing a hub in Central and Southern Europe through our subsidiary in Italy and establishing a joint venture in Malaysia. We plan to establish our hub in Central and Southern Europe to offer sales, technical and project execution supports and serve customers in such regions more efficiently, and recruit local designers and engineers, thereby enabling us to easily access to the local know-how and technology skills, with an aim to accelerate our expansion into the Central and South-European markets. We also intend to establish a new production base in Malaysia through joint venture to offset the business risks from the intensification of the trade disputes between the United States and the PRC, and reduce our supply chain reliance on the PRC. We also plan to establish an engineering centre in Japan to form a project execution team for commissioning on customers' sites located in Japan and nearby Asian countries. These plans are in line with our strategy of internationalisation.

BUSINESS MODEL

We are a leading pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC offering traditional pressure equipment, modular pressure equipment and value-added services associated with pressure equipment. Our business segments can be categorised into the following:

Manufacturing and selling of pressure equipment: We mainly engage in design, manufacturing and sales of pressure equipment, mainly to customers in downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. The key traditional pressure equipment we offered includes heat exchangers, tanks, reactors and towers, and the key modular pressure equipment we offered includes process module/skid and modular factory.

Providing value-added services associated with the pressure equipment: We also offer a range of value-added services associated with pressure equipment to our customers, including validation, maintenance, design, and digital operation services.

Traditional Pressure Equipment

We design and manufacture traditional pressure equipment that is tailor-made for our customers based on the technical specifications and requirements of our customers. We offer our products to our customers on a project basis. We generally provide a combination of design, procurement and manufacturing, and installation and commissioning services. The key types of pressure equipment we offer mainly include heat exchangers, tanks, reactors and towers. We mainly manufacture medium to mega-sized and heavy duty traditional pressure equipment for application in the chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue derived from manufacturing and selling of traditional pressure equipment was approximately RMB544.6 million, RMB1,059.7 million, RMB1,647.9 million and RMB1,110.2 million, respectively, accounting for approximately 34.7%, 42.9%, 58.3% and 55.1% of our total revenue from Continuing Operations for the same period.

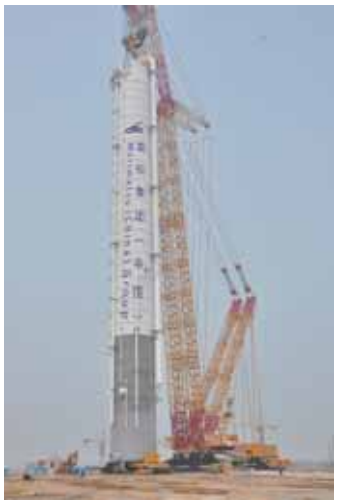
The following is a brief description of our key traditional pressure equipment:

Types of products	Key products	Function	Application
Heat exchangers	Double tube-sheet heat exchanger (雙管板換熱器)	A heat exchanger which is two tube sheets with a certain gap either at one end or equivalently. It is generally used in the following two situations: (i) to prevent the mixing of the medium between the tube and the shell; and (ii) where the pressure difference of the medium between the tube and the shell is large.	Chemical and oil and gas
	PTA condenser (PTA冷凝器)	The key equipment for the PTA chemical production which convert gas and liquid in the PTA production process.	Chemical

Types of products	Key products	Function	Application
	High pressure heat exchanger (高壓換熱器)	A heat exchanger which is designed for pressure higher than 10MPa. It has extremely high sealing requirement.	Chemical
Tanks	Dimple jacket dissolving tank (蜂窩夾套溶解槽)	The heat transfer efficiency and material dissolution is improved through the dimple jacket design.	Chemical
	Decompression dispensing tank (減壓分液罐)	A pressure vessel for separating gas and liquid through decompression method.	Oil and gas
	Crystalliser (結晶器)	Evaporation and crystallisation. It is widely used in various industries.	Chemical

Types of products	Key products	Function	Application
	Mixing tank (混合罐)	A storage tank for mixing liquid in pharmaceutical and personal care chemical industry.	Pharmaceutical and personal care chemical
Reactors	Reduction furnace (還原爐)	The key equipment for the purification for electronic chemical material.	Electronic chemical
	BYD reactor (BYD反應器)	The key equipment for the production of BDO devices.	Chemical
	PTA oxidation reactor (PTA氧化反應器)	The key equipment for the production of PTA devices.	Chemical

Types of products	Key products	Function	Application
	Autoclave (加壓釜)	Industrial equipment for chemical reactions under high pressure.	Mining and metallurgical
Towers	Vacuum tower (真空塔)	One of the core equipment in the oil refinery for vacuum distillation in the refinery production process.	Oil and gas
	Gasoline quench tower (汽油急冷塔)	One of the key equipment in the oil and gas integration project, to separate material through cooling and condensation.	Oil and gas
	Ethylene tower (乙烯塔) and propylene rectification tower (丙烯精餾塔)	The key equipment in the light hydrocarbon cracking device, a gas-liquid contacting tower commonly used for rectification separation in petrochemical production process.	Chemical

Types of products	Key products	Function	Application
	Propylene-propane separation tower (丙烯-丙烷分離塔) 	One of the key equipment in the propane dehydrogenation device (PDH device), the rectification tower for separating the mixture of propane and propylene, the diameter exceeds 10 meters, and the length exceeds 120 meters.	Chemical

Modular Pressure Equipment

Leveraging our expertise in designing and manufacturing pressure equipment, we started offering modular pressure equipment in 2005. Modular pressure equipment is a system of facilities that integrate pressure vessels and other facilities, equipment or devices into one module, operate independently to achieve one or more relatively complete process flows, and can be transported, hoisted and installed as a whole, according to F&S Report. Modular pressure equipment includes process modules and skids, and modular factories by their size and weight. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue derived from manufacturing and sale of modular pressure equipment was approximately RMB954.6 million, RMB1,337.0 million, RMB1,076.1 million and RMB848.7 million, respectively, accounting for approximately 60.8%, 54.2%, 38.1% and 42.1% of our total revenue from Continuing Operations for the same period.

Similar to our business of traditional pressure equipment manufacturing, we generally provide a combination of design, procurement and manufacturing, and installation and commissioning services for our modular pressure equipment. We mainly manufacture modular pressure equipment applied in the chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries.

Based on the demands from our customers, we are able to offer modular pressure equipment including process module/skid and mega-sized modular factory. We usually manufactured, assembled and commissioned structural units, pipes, instruments, electrical system, automatic control system and other spare parts required for constructing modular pressure equipment in our Shanghai and Nantong production bases. After the assembling, commission and FAT of the modular pressure equipment, the small sized modular pressure equipment will be transported to customer location directly, and the medium to large sized process module/skid, and mega-sized modular factory will be disassembled and packaged

according to our production manual in our Shanghai and Nantong production bases, and will then be transported to the designated customer site. Moreover, in view of the increasing demand for datacenters, we capitalised on our expertise and knowhow in modular factories and started offering modular datacenters in 2015.

The following is a brief description of key modular pressure equipment offered by us:

Key process modules/modular factory	Key components	Function	Application
Active pharmaceutical ingredient production line (API 生產線)	Reactor, crystalliser (結晶罐) and multi-function filter (多功能篩檢程式)	Production of drugs (原料藥) for active pharmaceutical ingredient	Pharmaceutical
Liquid dosing and mixing system (液體配液混合系統)	Liquid dosing tank (配液罐)	Liquid dosing	Pharmaceutical
Solid dosage production line (固體製劑生產線)	Wet granulation and fluidized bed (濕法制粒及流化床)	Solid dosage production	Pharmaceutical

Key process modules/modular factory	Key components	Function	Application
Fermenter / bioreactor / media preparation production line (發酵罐/生物反應器/培養基配製生產線)	Fermenter / bioreactor / media preparation (發酵罐/生物反應器/培養基配製)	Biopharmaceutical drugs production in upstream	Pharmaceutical
Purification system, buffered liquid and storage production line (純化系統，緩衝液配製儲存生產線)	Purification system, buffered liquid and storage (純化系統，緩衝液配製儲存)	Biopharmaceutical drugs production in downstream	Pharmaceutical
Biopharmaceutic liquid dosing (生物製劑配液)	Biopharmaceutic liquid (生物製劑配液)	Biopharmaceutic liquid dosing	Pharmaceutical
Ancillary equipment for Biopharmaceutic	CIP/Inactive equipment (滅活)	Ancillary equipment for biopharmaceutic production	Pharmaceutical

Key process modules/modular factory	Key components	Function	Application
Production hybrid system (生產混合系統)	Mixing tank (混合罐)	Production hybrid system	Personal care chemical
SRU Module (SRU模塊)	Filter equipment	Desulfate production	Oil and gas
MEG Module (MEG模塊)	Flash tank, flash separator and tower, etc.	Glycol production	Oil and gas
Well Pad Separator Skids (井口分離器模塊)	Separation equipment	Wellhead separation of oil and water mixture	Oil and gas

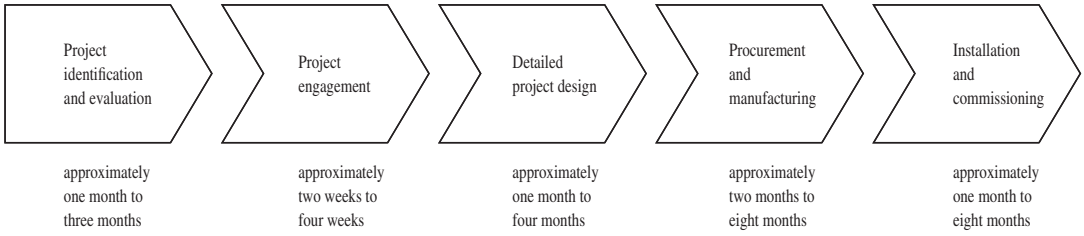
Key process modules/modular factory	Key components	Function	Application
Jumbo Pipe Rack (大型管廊架)	Pipe rack	Transport material	Chemical
Fine Chemicals Module (精細化工模塊)	Reaction kettle, heat exchanger	Chemical production	Chemical
Data centre	Modular data centre	IT module, chilled water station module, power module, computer room air conditioning module	IT and data communication
Modular factory	Modular production workshop	Production areas	Pharmaceutical

Value-Added Services Associated With Pressure Equipment

We also offer a range of value-added services associated with pressure equipment to our customers, including validation, maintenance, design, and digital operation services. Digital operation services generally include (i) operation analysis to upgrade and optimise customers' manufacturing craftsmanship; (ii) lean asset management and spare parts management; (iii) help customers to manage operation systems and introduce advanced production automation system; (iv) technical training by virtual reality; and (v) optimising energy management.

Our Business Flow

The following illustrates the principal workflow in our business operations. Most of our sales are project based, and the duration of the key process involved in each project varies depending on the size, complexity and requirements of individual customers.



Project identification and evaluation

We generally secure our projects directly with customers through our sales and marketing networks, referrals, tendering/quotations, or direct negotiation. As our products and services are highly customised, personnel of our sales and marketing team and procurement and manufacturing team seek to understand the requirements and technical specifications of potential customers through initial discussion with the potential customers or obtaining the tender documents or invitation to offer documents from the potential customers.

For each project opportunity, our sales and marketing team will evaluate the technical specifications of the products and expected budget set out by the customers upon receipt of the customers' requirements. Our sales and marketing team with the technical support from our technical team will prepare a preliminary proposal of integrated engineering solution for the pressure equipment. At preliminary assessment, the profitability of the project will be conducted. If the project opportunity fits our scope of services and satisfies our requisite profit margin requirement, the project opportunity will be submitted to sales manager who will evaluate whether to participate in the opportunity.

Project Engagement

Our customers award projects to us mainly through (i) tendering/quotations; and (ii) direct negotiation.

Tendering/quotations

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, approximately 48.1%, 44.2%, 47.6% and 37.3% of our projects in terms of contract number were secured through tendering/quotations. When we pursue a particular business opportunity through tendering/quotations, our technical team and sales manager will commence the preparation of the proposal or relevant tender documents in accordance with the requirements of the potential customers. A typical bidding proposal contains the proposed design, technical specification, after-sales service scope and the fee quote. The bidding proposal will then be submitted to the customers for their evaluation.

Subsequent to the submission of tendering/quotations, we will have clarifications upon request of our customers on the submitted documents. Should the customer select us, we will proceed to review and negotiate the contract terms.

Direct negotiation

We negotiate with our customers either by offering quotation pursuant to the terms of the framework agreements entered into between our clients and us, or submitting offering documents pursuant to the requirements of our customers. When we are asked to submit offering documents by our customers, our design and technical proposal would be submitted for negotiation first. The design and technical proposal usually includes (i) the proposed work standards and techniques to be applied; (ii) our work scope including after sales service or technical guidance; (iii) design, technical and execution plan; (iv) supplies required for the production and the identity of the sub-contractors; and (v) quality control and licenses standards. We will have technical clarification upon request of our customers. If the customer accepts our design and technical proposal, we will provide our quotation and other offering documents for further negotiation, and a project contract will be entered into if our customers and us reach an agreement.

Detailed project design

A project team comprising a project manager and engineers will be formulated. A project team will generally be led by a project manager, who is responsible for the overall management of the project. Based on the project site survey, physical environment of the premises, specific requirements of the customers and the proposed solutions submitted to the customers, a detailed project implementation with design, technical and execution plan will be formulated by our technical team. We will maintain an ongoing discussion with the customer and revise the proposed solutions to the satisfaction of the customer.

Procurement and manufacturing

Following the finalisation of the project design, we then proceed to procure the raw materials and consumables used for manufacturing pressure equipment, and we manufacture pressure equipment based on the detailed design, technical and execution plan provided by our technical team, and our quality and control team will conduct inspection and test in each key step of our manufacturing process. We generally manufacture products and components that relate to our proprietary technologies ourselves to ensure that our proprietary technologies are kept confidential and to ensure the quality of our pressure equipment. We outsource certain processing works, such as pressure equipment head forming (封頭壓制) and machining (機加工) to sub-contractors. We generally pre-qualify suppliers and sub-contractors based on their quality assurance, manufacturing capacities, financial position, past performance and price competitiveness.

Testing, Installation, commissioning, and delivering

We usually install and commission pressure equipment at our production bases and conduct pressure test and FAT to ensure our pressure equipment in compliance with

requirements of our customers before delivery. After successful testing, we will deliver the pressure equipment to our customers or divide large sized modular pressure equipment and modular factory for easier transportation, and then reassemble, install and commission large sized modular equipment and modular factory on customers' sites.

Warranty period

Our contracts normally stipulate a warranty period of 12 months from the test run report or 18 months from the date of delivery of our products, whichever is earlier. During the warranty period, we provide after-sales services to our customers free of charge if our products malfunction due to product defect. If our warranty period has expired or the malfunctions are caused by improper use or maintenance by the customers, we charge service fees incurred and/or cost of parts and components if our customers are agreeable with such terms quotation.

OUR PROJECTS

The projects that we undertake can primarily be categorised into traditional pressure equipment and modular pressure equipment. The following table sets forth the breakdown of our revenue from Continuing Operations by product and service for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Traditional pressure equipment	544,592	34.7	1,059,704	42.9	1,647,930	58.3	1,244,683	59.2	1,110,199	55.1
– heat exchangers	131,079	8.3	304,513	12.3	671,261	23.8	466,721	22.2	326,696	16.2
– tanks	128,376	8.2	126,049	5.1	341,550	12.1	240,327	11.4	286,179	14.2
– reactors	70,455	4.5	502,319	20.4	506,988	17.9	428,402	20.4	414,723	20.6
– towers	214,682	13.7	126,823	5.1	128,131	4.5	109,233	5.2	82,601	4.1
Modular pressure equipment	954,647	60.8	1,337,045	54.2	1,076,133	38.1	814,969	38.8	848,651	42.1
Value-added services *(Note 1)*	29,466	1.9	31,955	1.3	24,939	0.9	18,339	0.9	39,873	2.0
Others *(Note 2)*	41,392	2.6	39,165	1.6	77,328	2.7	22,398	1.1	15,234	0.8
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Notes:

1. Value-added services include design, validation and maintenance service.

2. Others mainly include sales of raw materials and scrap materials.

Representative projects

Some of our representative projects selected based on the revenue size and the key downstream industries that our projects are applied in are as follows:

Completed projects

The following table shows some of our representative projects completed as at the Latest Practicable Date:

Project description	Traditional/ modular pressure equipment	Product type	Customer background	Location/ delivery place	Commencement date[Note 1]	Actual completion date[Note 2]	Contract Sum[Note 3] *(RMB)*	Application	Amount of revenue recognised: Year ended 31 December 2017 *(RMB'000)*	2018 *(RMB'000)*	2019 *(RMB'000)*	Nine months ended 30 September 2020 *(RMB'000)*	Estimated amount of revenue to be recognised subsequent to the Track Record Period *(RMB'000)*
Skincare product formulation	Modular pressure equipment	Process modules and skids	Members of a New York Stock Exchange listed company which is principally engaged in provision of branded personal care and hygiene products.	Japan	December 2017	March 2019	124.3 million	Personal care chemical	–	117,333	8,143	–	N/A
Biopharmaceutical modular factory	Modular pressure equipment	Modular factories	Member of a Hong Kong Stock Exchange listed company which is principally engaged in discovering, developing, manufacturing and delivering of various human therapeutics.	US	October 2017	September 2020	248.2 million	Pharmaceutical	1,148	50,452	179,431	16,528	N/A
Production of autoclave for acid leaching and high pressure leaching	Traditional pressure equipment	Reactor	A private company which is principally engaged in mining investment, mineral smelting technology research and development.	Indonesia	August 2018	February 2020	132.1 million	Mining and metallurgical	–	–	–	116,273	N/A

Project description	Traditional/ modular pressure equipment	Product type	Customer background	Location/ delivery place	Commencement date Note 1	Actual completion date Note 2	Contract Sum Note 3 (RMB)	Application	Amount of revenue recognised: Year ended 31 December 2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	Nine months ended 30 September 2020 (RMB'000)	Estimated amount of revenue to be recognised subsequent to the Track Record Period (RMB'000)
Production of equipment in paper mill	Traditional pressure equipment	Heat exchanger	Members of a public listed company which is principally engaged in provision of process technologies, automation and other services.	Indonesia	April 2019	May 2020	65.3 million	Chemical	–	–	–	64,889	N/A
Production of the core equipment of the purified phthalic acid factory	Traditional pressure equipment	Reactor/Heat exchanger	A private company and its subsidiary which are principally engaged in the provision of terephthalic acid, benzoic acid, isophthalic acid, and others.	China	May 2018	October 2019	142.0 million	Chemical	–	–	125,204	–	N/A
Oil and gas process module	Modular pressure equipment	Process modules and skids	A member of a New York Stock Exchange listed company which is principally engaged in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry.	China	October 2019	December 2020	52.8 million	Oil and gas	–	–	–	44,359	8,172

Project description	Traditional/ modular pressure equipment	Product type	Customer background	Location/ delivery place	Commencement date [Note 1]	Actual completion date [Note 2]	Contract Sum [Note 3] (RMB)	Application	Amount of revenue recognised: Year ended 31 December 2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	Nine months ended 30 September 2020 (RMB'000)	Estimated amount of revenue to be recognised subsequent to the Track Record Period (RMB'000)
Surfactant production modular factory	Modular pressure equipment	Process modules and skids	Member of a Tokyo Stock Exchange listed company which principally engaged in consumer products business for general consumers in cosmetics, skin care and hair care, human health care, and fabric and home care.	China	October 2017	December 2020	148.4 million	Personal care chemical	–	66,087	57,435	123	3,621
Biopharmaceutical modular factory	Modular pressure equipment	Modular factories	A limited liability company (solely invested by a foreign legal person) which is principally work on diagnostic tools and other technologies, cell culture, protein purification, biomarker imaging, and analysis.	China	April 2019	December 2020	193.8 million	Pharmaceutical	–	–	–	162,422	8,162

Note 1: Commencement date refers to the date when our customer entered into contract with us.

Note 2: Completion date refers to the date when we complete revenue recognition of the contract with our customer.

Note 3: Contract sum represents contract amount including value-added tax and other sales taxes (if applicable). Foreign currency transactions are translated at the average foreign exchange rates for the relevant period.

Projects in progress

The following table shows some of our representative projects in progress as at the Latest Practicable Date:

Project description	Traditional/ modular pressure equipment	Product type	Customer background	Location/ delivery place	Commencement date[Note 1]	Estimated completion date[Note 2]	Contract Sum[Note 3] *(RMB)*	Industrial application	Amount of revenue recognised: Year ended 31 December 2017 *(RMB'000)*	2018 *(RMB'000)*	2019 *(RMB'000)*	Nine months ended 30 September 2020 *(RMB'000)*	Estimated amount of revenue to be recognised subsequent to the Track Record Period *(RMB'000)*
Biopharmaceutical downstream system	Modular pressure equipment	Process modules and skids	Member of a Hong Kong Stock Exchange listed company which is principally engaged in development of, and the provision of consultation services in relation to the biopharmaceutical technology.	China	October 2018	June 2021	182.1 million	Pharmaceutical	–	–	9,749	149,531	988
Biopharmaceutical downstream system	Modular pressure equipment	Process modules and skids	A private company which is principally engaged in the provision of biomedical products.	China	April 2019	May 2021	197.7 million	Pharmaceutical	–	–	108,008	63,542	8,728

Project description	Traditional/ modular pressure equipment	Product type	Customer background	Location/ delivery place	Commencement date[Note 1]	Estimated completion date[Note 2]	Contract Sum[Note 3] (RMB)	Industrial application	Amount of revenue recognised: Year ended 31 December 2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	Nine months ended 30 September 2020 (RMB'000)	Estimated amount of revenue to be recognised subsequent to the Track Record Period (RMB'000)
Equipment production on FPSO	Traditional pressure equipment	Reactor and tank	Member of a Tokyo Stock Exchange listed company which is principally engaged in engineering, procurement, construction and installation of floating production systems including Floating Production Storage and Offloading vessels, Floating Storage and Offloading vessels, Tension Leg Platforms, Production Semi-Submersibles, Mobile Offshore Production Units and other new technologies.	Brazil	December 2019	March 2021	71.3 million	Oil and gas	–	–	–	–	71,288

Note 1: Commencement date refers to the date when our customer entered into contract with us.

Note 2: Estimated completion date refers to the estimated date when we complete revenue recognition of the contract with our customer.

Note 3: Contract sum represents contract amount including value-added tax and other sales taxes (if applicable). Contract amounts denominated in foreign currency are translated into RMB at the average foreign exchange rates for the relevant period.

BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. For more information, see "Risk Factors – Risks Relating to Our Business – Our results of operations may be affected by backlog which is subject to unexpected adjustment and cancellations". As at 30 September 2020, the aggregate contract value (excluding value-added tax and other taxes) of our project backlog was approximately RMB3,588.0 million.

The following table sets forth the backlog movement of number of contracts by band of contract sum for the Track Record Period:

	For the year ended 31 December									For the nine months ended 30 September			1 October 2020 to the Latest Practicable Date	
	2017			2018			2019			2020			2020	
Band of contract sum *(RMB'000)*	Number of contracts at the beginning of the year	New contract number	Completed contracts	Number of contracts at the beginning of the year	New contract number	Completed contracts	Number of contracts at the beginning of the year	New contract number	Completed contracts	Number of contracts at the beginning of the period	New contract number	Completed contracts	Number of contracts at the beginning of the period	New contract number
50,000 or above	3	9	9	3	16	14	5	17	12	10	12	11	11	7
10,000 to 50,000	25	33	44	14	40	31	23	49	46	26	63	41	48	26
Below 10,000	492	222	610	104	329	304	129	327	327	129	504	347	286	213
Total	**520**	**264**	**663**	**121**	**385**	**349**	**157**	**393**	**385**	**165**	**579**	**399**	**345**	**246**

The following table sets forth the backlog movement of contract amount by band of contract sum for the Track Record Period:

	For the year ended 31 December									For the nine months ended 30 September			1 October 2020 to the Latest Practicable Date	
	2017			2018			2019			2020			2020	
Band of contract sum *(RMB'000)*	Closing value of backlog at the beginning of the year	New contract value	Deduct the recognised contract value	Closing value of backlog at the beginning of the year	New contract value	Deduct the recognised contract value	Closing value of backlog at the beginning of the year	New contract value	Deduct the recognised contract value	Closing value of backlog at the beginning of the period	New contract value	Deduct the recognised contract value	Closing value of backlog at the beginning of the period	New contract value
50,000 or above	486,492	859,862	613,143	733,211	1,411,162	1,233,463	910,910	1,682,637	1,167,586	1,425,961	835,560	990,514	1,271,007	756,145
10,000 to 50,000	610,445	747,616	600,542	757,519	1,008,329	836,006	929,842	1,160,037	1,083,503	1,006,376	1,370,430	622,207	1,754,599	557,662
Below 10,000	209,667	286,872	315,019	181,520	464,000	359,235	286,285	527,580	497,915	315,950	632,476	385,997	562,429	242,612
Total	**1,306,604**	**1,894,350**	**1,528,704**	**1,672,250**	**2,883,491**	**2,428,704**	**2,127,037**	**3,370,254**	**2,749,004**	**2,748,287**	**2,838,466**	**1,998,718**	**3,588,035**	**1,556,419**

The reconciliation of the aggregate value of our backlog to the aggregated amount of the transaction price allocated to the remaining performance obligations under our existing contracts as set out in the Accountants' Report in Appendix I to this prospectus for the Track Record Period is set out below:

As at	**31 December 2017** *(RMB'000)*	**31 December 2018** *(RMB'000)*	**31 December 2019** *(RMB'000)*	**30 September 2020** *(RMB'000)*
Backlog value	1,672,250	2,127,037	2,748,287	3,588,035
Contract value to be recognised at a point in time[(1)]	(1,297,867)	(1,612,130)	(2,370,400)	(2,682,632)
Difference due to variation of original contracts and reference date of contracts[(2)]	(91,304)	32,946	31,006	25
Difference due to amortisation of taxes[(3)]	(3,482)	(5,297)	(5,690)	(5,137)
Difference due to exchange rate amendment[(4)]	3,819	2,955	1,124	63
Aggregated amount of the transaction price allocated to the remaining performance obligations under our existing contracts ("Remaining Transaction Amount")	**283,416**	**545,511**	**404,326**	**900,354**

Notes:

1. All contracts, irrespective of their revenue recognition methods, were included in the backlog calculation whereas only contracts of revenue recognised over time were included in the calculation of the Remaining Transaction Amount in the Accountants' Report.

2. The backlog calculation had taken into account relevant adjustments to the contract value pursuant to the variation of the terms of the original contracts agreed between the relevant parties whereas the calculation of the Remaining Transaction Amount in the Accountants' Report was based on the original contracts only and had not taken into account any adjustments to the contract value pursuant to subsequent variation of the terms of the original contracts, if any. Moreover, the reference date of a contract in the backlog calculation was the date on which the relevant contract was registered on our system whereas the reference date of a contract in the calculation of the Remaining Transaction Amount was the signing date of the relevant contract.

3. Value-added tax and other taxes were excluded in the backlog calculation but were included in the calculation of the Remaining Transaction Amount in the Accountants' Report.

4. Different exchange rates were adopted in the calculation of the backlog and the Remaining Transaction Amount.

New Contract Value

New contract value represents the aggregate value of the contracts we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Our aggregate new contract value (excluding value-added tax and other taxes) for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 amounted to approximately RMB1,894.4 million, RMB2,883.5 million, RMB3,370.3 million and RMB2,838.5 million, respectively.

The following table shows our new contract value (excluding value-added tax and other taxes) by product/service for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Traditional pressure equipment	810,854	1,477,567	1,943,200	1,988,902
Modular pressure equipment	1,016,819	1,367,020	1,396,373	810,532
Value-added services associated with the pressure equipment	21,677	38,904	30,681	39,032
Total	1,894,350	2,883,491	3,370,254	2,838,466

Our new contract value increased by approximately RMB989.1 million or approximately 52.2% in 2018 as compared to 2017, which was mainly attributable to the increase of new contract value derived from traditional pressure equipment of approximately RMB666.7 million or approximately 82.2% in 2018. The increase of new contract value derived from traditional pressure equipment in 2018 was caused by (a) increase in number of new contracts of traditional pressure equipment in 2018 as compared to 2017 mainly due to (i) increasing demand of traditional pressure equipment in chemical and pharmaceutical industries; (ii) repeated orders placed by existing renowned customers in chemical industry enticed by our lower price strategy adopted in 2016 and 2017; and (iii) our marketing efforts; and (b) the relatively high gross profit margin of some of the traditional pressure equipment contracts we entered into in 2018 as we strategically increased our product price gradually since the second half of 2017 as chemical industry has been picking up and our production capacity was almost fully utilised. Our new contract value further increased by approximately RMB486.8 million or 16.9% in 2019 as compared to 2018, which was mainly attributable to the increase of new contract value derived from traditional pressure equipment by approximately RMB465.6 million in 2019 due to (i) the increasing demand of traditional pressure equipment from chemical and pharmaceutical industry, and (ii) our continuously marketing efforts.

PRODUCTION FACILITIES AND PRODUCTION PROCESS

Production facilities

We have two production bases located in Shanghai and Nantong, the PRC.

Shanghai Production Base

Our Shanghai production base, which we lease from Morimatsu Chemical Equipment, had a GFA of approximately 57,150 sq.m. as at the Latest Practicable Date. For more details, please refer to the section headed "Connected Transactions — Summary of Continuing Connected Transactions — (B) Partially-Exempt Continuing Connected Transactions". There are 14 production workshops located in our Shanghai production base. We mainly manufacture small-to-medium-sized pressure equipment in our Shanghai production base.

Nantong Production Base

Our Nantong production base, which we own, had a GFA of approximately 121,618 sq.m. as at the Latest Practicable Date. There are nine production workshops located in our Nantong production base including four new workshops that commenced production in end of 2020. We mainly manufacture mega-sized and heavy duty pressure equipment in our Nantong production base. In addition, we have our own port at our Nantong production base, which, according to the certificate of engineering completion check of the port, has one berth capable of accommodating barges or vessels up to class of 10,000 dwt, and has annual traffic capacity up to 511,500 dwt.

Major production machinery and equipment

The table below sets out a summary of our major production machinery and equipment owned by us as at 30 September 2020:

Major machinery/equipment	Number of units	Principal usage and function	Approximate average remaining useful life *(years)*
Heavy duty flat transporter (重型平板運輸車)	1	Product transportation	10
ETR-S hot wire TIG build-up welding system (ETR-S熱絲TIG堆焊系統)	1	Pipeline internal build-up welding	8
Transverse narrow-gap submerged arc welding machine (雙絲窄間埋弧焊機)	3	Product welding	3

Major machinery/equipment	Number of units	Principal usage and function	Approximate average remaining useful life *(years)*
45M trolley heat treatment furnace (45M台車熱處理爐)	1	Product normalising and quenching	14
250T Double Beam Bridge Crane (big sized crane) 250T雙梁橋式起重機 (大型行車)	4	Big-size equipment lifting, hosting, and transportation	8
Gantry computer numerical control waterjet cutting machine (龍門數控水刀切割機)	1	Plate cold cutting	8
Large plate rolling machine (大型卷板機)	1	Bending metal sheet forging	10
6000T frame hydraulic press (6000T框式液壓機)	1	Pre-bending of metal sheet, point pressure forming, cone stamping, plate flatting, plate heat forming	10
Tube-to-tube sheet automatic welding equipment (管子管板自動焊機)	18	Tube-to-tube sheet welding	8
Spectroscope (光譜儀)	1	Testing chemical composition of metals	5
Standing wave electron linear accelerator (直線駐波探傷加速器)	1	High energy X ray used in industrial CT applications, used to detect flaws	9
Smart automatic warehouse (智慧自動化立體倉庫)	2	Vertical multi-layer storage, semi-automatic storing and picking up materials, storing material data and data sharing and interaction with ERP	8.5
Digital head opening and cutting machine robot (數控封頭開孔切割機機器人)	1	Head opening	7
Cantilever smart fiber laser cutting machine (懸臂式智慧光纖鐳射切割機)	1	Plate and pipes blanking	8
Longitudinal and circular seam welding machine (筒體縱環縫一體機)	1	Longitudinal and circular seam welding	7

We purchased our production machinery and equipment in the PRC. We conduct regular inspection of our production machinery and equipment and have in place maintenance systems for our production machinery and equipment. Maintenance is carried out by our

repair staff and we would engage the repair team of the manufacturer of a particular machine when necessary. During the Track Record Period, we have not experienced any material or prolonged interruption to our production processes due to machinery or equipment failure.

Production capacity and utilisation rate

Our pressure equipment is customised based on customer's requirements on a project basis. Our products are widely applied in a broad range of downstream industries, primarily including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. Therefore, our products are highly customised and every product differs in size, design plan, application and specification, and hence the type, tonnage and specification of equipment involved in each project vary on a case-by-case basis. We consider that a major determinant of our production capacity is the production area available. The production area required for processing a piece of equipment generally depends on the size of parts and finished products of the equipment and space necessary for materials flow and assembly. The size of our equipment can vary from around 30 kilogram to over 2,000 tonnes. Moreover, the manufacturing time for a piece of equipment depends on the size, manufacturing requirements, specification and complexity of a product. Based on the above, we consider the production capacity and volume calculated in tonnes is more meaningful, as compared to production volume in unit, to demonstrate the production capacity and actual production volume of our production facilities.

For illustrative purpose, the table below sets out our production capacity and the utilisation rate based on the assumptions as set out below:

	Year ended 31 December			Nine months ended 30 September
	2017	**2018**	**2019**	**2020**
Production capacity *(tonnes/year)* *(Note 1)*	30,894	32,014	39,521	44,364
Actual production volume *(tonnes)*	30,876	30,413	38,386	25,512
– Traditional pressure equipment *(tonnes)*	16,753	14,547	16,434	8,204
– Modular pressure equipment *(tonnes)*	14,123	15,866	21,951	17,308
Estimated annualised utilisation rate *(%)* *(Note 2)*	99.9	95.0	97.1	76.7

Notes:

1. The production capacity is calculated based on the following assumptions:

   (i) the tonnage of an equipment that can be processed in a workshop/work area is based on the maximum loads the largest crane in such workshop/work area could lift;

   (ii) the number of production area for each piece of equipment in a workshop/work area is estimated based on the gross floor area of the workshop/work area (excluding certain area reserved for handling, storage or transport of equipment and maintaining safe access to and egress from the workshop/work areas) divided by the size of area required for processing a piece of equipment, which is estimated with reference to its assumed tonnage as mentioned in item (i);

   (iii) the number of equipment that can be processed at a production area in a year is estimated with reference to the tonnage of an equipment; and

(iv) our production capacity is calculated by aggregating the production capacity of all our workshops/work areas at our production bases. For production capacity of each workshop/work area, the total tonnes of equipment that can be produced in a year is calculated by multiplying (a) the maximum tonnage of a piece of equipment that can be processed in a workshop/work area as referred to in item (i); (b) the number of equipment that can be processed at each production area in a year as referred to in item (iii); and (c) the number of production areas in a workshop/work area as referred to in item (ii).

2. The utilisation rate of our production bases is determined based on the actual production volume divided by the production capacity times 100%.

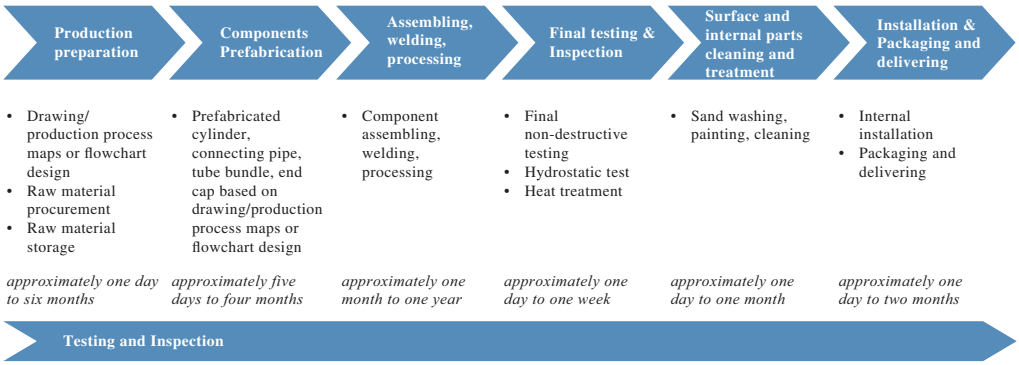
During the Track Record Period, our production facilities in the PRC maintained relatively high utilisation rate. Our utilisation rate decreased to approximately 76.7% for the nine months ended 30 September 2020 primarily attributable to (i) the increase in our production capacity due to the commencement of the pilot scale production in our new workshops at our Nantong production base; coupled with (ii) the impact of COVID-19, which led to postponement of resumption of production and the suspension and termination of several projects. For details, please refer to the paragraph headed "Impact of Outbreak of COVID-19 on our Operations" in this section.

Since our production utilisation rate reached approximately 99.9% for the year ended 2017, our management strategically tendered or selected projects with relatively high profit margin in 2018 and 2019 to enhance our return while gradually expanding our production capacity in 2018 and 2019. As a result, even though we had not significantly increased our production capacity, we recorded an increase in revenue throughout the Track Record Period. Production capacity is only one of the factors which may affect the fluctuations of our revenue, and hence is not always in line with the fluctuation of our revenue. We provide pressure equipment to customers mainly on a project basis. Our products are widely applied in a broad range of downstream industries, primarily including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries, and the demands from customers in each downstream industry vary significantly from year to year depending on the business strategies of the customers in downstream industries, the future opportunities, challenges and market drivers of the relevant downstream industries. As such, the fluctuations of our revenue during the Track Record Period were driven by various factors, including the changing demand for our products or services in the relevant downstream industries and geographic markets, competition as well as new customers acquired, our price strategy, etc. In determining the pricing of a project, we generally take into account a variety of factors, including cost of raw materials, labour costs, research and development costs, complexity of the work, business strategies, market demand, the specification and/or customisations required by our customers and past relationships with the customers. As such, the unit price per tonne of our products may vary significantly. For instance, during the Track Record Period, the increase in our revenue outpaced the increase in our actual production volume as we strategically participated in some projects with relatively high profit margin in 2018 and 2019 to enhance our return in view of our limited production capacity.

Production process

Traditional Pressure Equipment

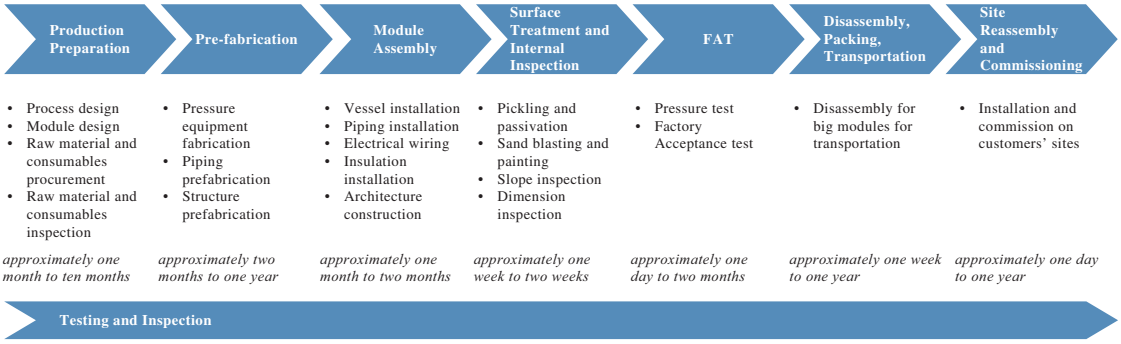
The main traditional pressure equipment that we manufacture are heat exchangers, tanks, reactors and towers, which are applied in various industries. The following sets out the main steps and duration of their production process. As our products are highly customised, the duration of the production process of each piece of pressure equipment varies depending on the equipment size, application, design and manufacturing requirements and specification.



According to F&S Report, traditional pressure equipment generally works in environments with high pressure and temperature, thus traditional pressure equipment has strict standards and requirements for airtightness and firmness, and the manufacturing process of traditional pressure equipment has to guarantee the safety of production and high quality of products. Thus, to reinforce our strong quality control and management capability and to meet the specific requirements of certain customers in industries, we maintain a team of quality control to conduct inspection of each manufacturing step to ensure the quality of the traditional pressure equipment. In addition, we also conduct standard non-destructive testing, hydrostatic testing, and overall inspection.

Modular Pressure Equipment

The following sets out the main steps and duration of the production process relating to our modular pressure equipment. As our products are highly customised, the duration of the production process of each piece of pressure equipment varies depending on the equipment size, application, design and manufacturing requirements and specification.



We strictly prefabricate modular pressure equipment based on the modular design from our technical team, and prefabricate not only the components, but also the structure of the modular pressure equipment. We also conduct heat treatment, hydrostatic test and standard non-destructive testing to ensure the quality of modular pressure equipment. For small and middle sized process module/skid, we will assemble and integrate all the module components on our production site and then ship them to our customers after inspection. For large-sized process module/skid and modular factory, we will pre-assemble the process module/skid and modular factory on our production site to test its function and quality. We will then divide the large sized process module/skid or modular factory for easier transportation, and will reassemble and commission them on customers' sites. For overseas customers, we usually sub-contract the reassembling and commissioning work of process module/skid and modular factory on customers' sites.

Sub-contracting

We outsource certain processing works to sub-contractors to ensure the progress and quality of our projects. Specifically, we usually outsource the process of pressure equipment head forming (封頭壓制) and machining (機加工) to sub-contractors who have better requisite expertise and experience. While pressure equipment head forming and machining are essential manufacturing steps required for a majority of our products depending on the product design and technical specification, they are not regarded as critical steps in the production process of our products as these two steps do not require advanced processing technique. As such, sub-contractors for pressure equipment head forming and machining are readily available in the market. Sub-contracting certain of our works increases our productivity, and saves us time and resources. In general, we choose sub-contractors based on purchase price and differences in materials used. We will also consider their qualification, their capability to complete the work within the time frame of our customers and their quality of work. We maintain at least two alternative sub-contractors for each of our key sub-contracting process. The subcontracting fees are determined based on the estimation of market rate for comparable projects, taking into account their scope, size, complexity and contract value. We have over the years established stable business relationship with our subcontractors. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the outsourcing fees incurred by us amounted to approximately RMB108.6 million, RMB141.0 million, RMB137.1 million and RMB88.1 million, representing approximately 8.4%, 7.2%, 6.2% and 6.1% of our cost of sales of Continuing Operations, respectively.

OUR CUSTOMERS

The following table sets forth the breakdown of our revenue from Continuing Operations by customer classification for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September	
	2017		2018		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Project owners	1,012,706	64.5	2,075,534	84.1	2,029,165	71.8	1,371,063	68.1
Non-project owners	557,391	35.5	392,335	15.9	797,165	28.2	642,894	31.9
Total	1,570,097	100.0	2,467,869	100.0	2,826,330	100.0	2,013,957	100.0

Note: Project owners refer to end users of our products and services; and non-project owners include (i) third-party contractors that sub-contract to us certain parts of a project; and (ii) equipment traders.

Our pressure equipment is mainly applied in various industries such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. The following table sets forth the breakdown of our revenue from Continuing Operations by end application for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Chemical	479,905	30.6	675,874	27.4	1,284,233	45.4	958,149	45.6	772,555	38.4
Pharmaceutical	224,543	14.3	381,141	15.4	720,891	25.5	538,953	25.7	535,424	26.6
Personal care chemical	511,627	32.6	608,466	24.7	239,052	8.5	182,598	8.7	168,345	8.4
Mining and metallurgical	2,170	0.1	47,570	1.9	116,986	4.1	98,497	4.7	171,623	8.5
Oil and gas	218,742	13.9	113,258	4.6	95,656	3.4	76,679	3.7	163,430	8.1
Electronic chemical	92,162	5.9	552,519	22.4	79,005	2.8	79,001	3.8	21,603	1.1
Others *(Note)*	40,948	2.6	89,041	3.6	290,507	10.3	166,512	7.8	180,977	8.9
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Note: Others primarily include shipping industry, water treatment industry and food industry.

With over 29 years of experience in the industry, we have established a customer base comprising both domestic and overseas customers. During the Track Record Period, we exported our products overseas to over 45 countries. The following table sets forth the breakdown of our revenue from Continuing Operations by geographical location of the projects undertaken by us for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Mainland China	538,327	34.3	1,541,984	62.5	1,787,099	63.2	1,275,649	60.7	1,063,150	52.8
North America	475,778	30.3	430,558	17.4	411,759	14.6	338,962	16.1	104,296	5.2
Asia (excluding mainland China)	313,685	20.0	347,284	14.1	297,506	10.5	230,783	11.0	516,310	25.6
Europe	195,582	12.5	22,344	0.9	241,909	8.6	180,061	8.6	233,725	11.6
Others *(Note)*	46,725	2.9	125,699	5.1	88,057	3.1	74,934	3.6	96,476	4.8
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Note: Others mainly included Brazil, Chile, Argentina and Peru in South America, Algeria, Nigeria and South Africa in Africa and Australia in Oceania.

Major Customers

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue attributable to our top five customers amounted to approximately RMB752.7 million, RMB1,127.3 million, RMB1,069.4 million and RMB873.3 million, accounting for approximately 47.9%, 45.7%, 37.8% and 43.4% of our total revenue from Continuing Operations, respectively, among which our revenue attributable to our largest customer amounted to approximately RMB442.2 million, RMB425.2 million, RMB335.7 million and RMB237.4 million, accounting for approximately 28.2%, 17.2%, 11.9% and 11.8% of our total revenue from Continuing Operations, respectively.

The information of our top five customers for the Track Record Period is set out below:

For the year ended 31 December 2017

	Customer	Background	Year in which our business relationship commenced	Products/ services provided by us	Revenue amount	Percentage of our total revenue	Credit term and payment method	Type
					(RMB'000)	*(%)*		
1	Customer A	Members of a New York Stock Exchange listed company which is principally engaged in provision of branded personal care and hygiene products.	2001	mainly provide pressure equipment applied in the personal care chemical industry.	442,151	28.2	90 or 120 days, telegraphic transfer	Project owner
2	Samsung Engineering	A member of a Korea Exchange listed company which is principally engaged in provision of full range of engineering services.	2016	mainly provide pressure equipment applied in the chemical and oil and gas industries.	79,942	5.1	30 days, telegraphic transfer	Non-project owner
3	Customer C	Members of a public listed company which is principally engaged in provision of process technologies, automation and other services.	2005	mainly provide pressure equipment applied in the chemical industry.	78,066	5.0	60 days, telegraphic transfer	Non-project owner
4	Siirtec Nigi S.p.A.	A private company which principally engaged in the provision of turnkey plants, skid-mounted and modular packages and special process equipment.	2016	mainly provide pressure equipment applied in the oil and gas industry.	77,844	5.0	45 or 60 days, telegraphic transfer	Non-project owner
5	Customer E	A private company which principally engaged in the provision of electronic chemical products and materials.	2016	mainly provide pressure equipment applied in the electronic chemical industry.	74,661	4.8	payment date agreed based on a case by case basis, acceptance bill and telegraphic transfer	Project owner
				Total	752,664	48.1		

For the year ended 31 December 2018

	Customer	Background	Year in which our business relationship commenced	Products/ services provided by us	Revenue amount *(RMB'000)*	Percentage of our total revenue *(%)*	Credit term and payment method	Type
1	Customer A	Members of a New York Stock Exchange listed company which is principally engaged in provision of branded personal care and hygiene products.	2001	mainly provides pressure equipment used in the personal care chemical industry.	425,217	17.2	90 or 120 days, telegraphic transfer	Project owner
2	Customer E	A private company which principally engaged in the provision of electronic chemical products and materials.	2016	mainly provide pressure equipment applied in the electronic chemical industry.	284,529	11.5	payment date agreed based on a case by case basis, acceptance bill or telegraphic transfer	Project owner
3	Customer F	A member of a Shanghai Stock Exchange listed company which is principally engaged in manufacturing and sales of materials for manufacturing civilian polyester filament.	2017	mainly provide pressure equipment applied in the chemical industry.	151,328	6.1	30 days, acceptance bill or telegraphic transfer	Project owner
4	Customer G	A company listed on the Hong Kong Stock Exchange and is principally engaged in the provision of electronic chemical products production, engineering and construction contracting, and others.	2011	mainly provide pressure equipment applied in the electronic chemical industry.	138,811	5.6	35 or 45 or 90 days, acceptance bill or telegraphic transfer	Project owner
5	Customer H	A company listed on the Shanghai Stock Exchange and is principally engaged in provision of petrochemical products.	2001	mainly provide pressure equipment applied in the chemical industry.	127,395	5.2	15 or 28 or 30 days, acceptance bill or telegraphic transfer	Project owner
				Total	1,127,280	45.6		

For the year ended 31 December 2019

	Customer	Background	Year in which our business relationship commenced	Products/ services provided by us	Revenue amount *(RMB'000)*	Percentage of our total revenue *(%)*	Credit term and payment method	Type
1	Customer H	A company listed on the Shanghai Stock Exchange and is principally engaged in provision of petrochemical products.	2001	mainly provide pressure equipment applied in the chemical industry.	335,693	11.9	28 or 30 or 56 days, acceptance bill or telegraphic transfer	Project owner
2	Customer I	A private company which principally engaged in the provision of biomedical products.	2016	mainly provide pressure equipment applied in the pharmaceutical industry.	200,742	7.1	15 or 20 days, acceptance bill or telegraphic transfer	Project owner
3	Customer F	A member of a Shanghai Stock Exchange listed company which is principally engaged in manufacturing and sales of materials for manufacturing civilian polyester filament.	2017	mainly provide pressure equipment applied in the chemical industry.	183,886	6.5	30 days, acceptance bill or telegraphic transfer	Project owner
4	Customer J	A member of a New York Stock Exchange listed company which is principally engaged in provision of cybersecurity, data analytics, construction services and pass-through procurement business.	2018	mainly provide pressure equipment applied in the chemical and oil and gas industries.	179,431	6.4	10 days, telegraphic transfer	Non-project owner
5	Customer K	A private company and its subsidiary which principally engaged in the provision of terephthalic acid, benzoic acid, isophthalic acid, and others.	2003	mainly provide pressure equipment applied in the chemical industry.	169,629	6.0	30 days, acceptance bill or telegraphic transfer	Project owner
				Total	1,069,381	37.9		

For the nine months ended 30 September 2020

	Customer	Background	Year in which our business relationship commenced	Products/ services provided by us	Revenue amount *(RMB'000)*	Percentage of our total revenue *(%)*	Credit term and payment method	Type
1	Customer C	Members of a public listed company which is principally engaged in provision of process technologies, automation and other services.	2005	mainly provide pressure equipment applied in the chemical industry.	237,366	11.8	60 days, telegraphic transfer	Non-project owner
2	Customer H	A company listed on the Shanghai Stock Exchange and is principally engaged in provision of petrochemical products.	2001	mainly provide pressure equipment applied in the chemical industry.	164,717	8.2	15 or 28 or 30 days, acceptance bill or telegraphic transfer	Project owner
3	Customer L	Members of a New York Stock Exchange listed company which principally engaged in power and renewable energy industries.	2016	mainly provide the pressure equipment applied in the pharmaceutical industry.	162,931	8.1	75 days telegraphic transfer	Project owner
4	Customer A	Members of a New York Stock Exchange listed company which is principally engaged in provision of branded personal care and hygiene products.	2001	mainly provides pressure equipment used in the personal care chemical industry.	158,735	7.9	75 to 120 days, telegraphic transfer	Project owner
5	Wuxi Biologics Co., Ltd	Member of a Hong Kong Stock Exchange listed company which principally engaged in development of, and the provision of consultation services in relation to the biopharmaceutical technology.	2016	mainly provides pressure equipment applied in the pharmaceutical industry.	149,531	7.4	30 days telegraphic transfer	Project owner
				Total	873,280	43.4		

All of our top five customers during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our top five customers during the Track Record Period.

Contracts with Customers

In general, we enter into a contract with our customer on a project basis. Our typical contracts include terms that govern specifications of our products, service fees, payment method and schedule, packaging and logistics requirements, product inspection and testing procedures, provision of technical services and warranty periods.

The contracts we entered into with customer typically contain the following salient terms:

Payment terms:	our contract generally provides for payment by several instalments, and each installment will be paid subject to the project progress, delivery progress and (if applicable) completion of commissioning work.
Quality requirements:	our products are required to be in compliance with the relevant national or industrial standards of the country where our products are to be used or sold to.
Technical support:	our project manager and technical design officers will provide technical support and training to our customers.
Warranty period:	a warranty period of 12 months from the test run report or 18 months from the date of delivery of our products, whichever is earlier.

Seasonality

In general, our business has no obvious cyclical or seasonal changes. However, as our business is project-based and our products are customised to each project, our revenue will be affected by the number and product requirements of the projects completed for a period.

PROCUREMENT AND SUPPLIERS

Procurement

Our procurement and manufacturing team is responsible for procuring raw materials, parts and components according to our manufacturing needs, monitoring the performance of suppliers and handling ongoing liaison work with existing or potential suppliers. We have in place a procurement policy, which is subject to review from time to time. In accordance with our procurement policy, we invite tenders or obtain quotes from suppliers and assess and

select suitable suppliers with reference to factors, such as their technical capabilities, competitiveness in price, quality, length of our business relationship and requirements of our customer under a particular project. Please refer to the paragraph headed "– Quality Control – Quality control in our production and operation processes – Procurement" in this section for further details regarding quality control during our procurement process.

The principal raw materials procured by us are steel materials such as steel plates, steel pipes and forgings, and the principal parts and components procured by us include valves, meters, pipe fittings and pumps. We purchase most of our raw materials, parts and components from local suppliers in the PRC. Raw materials and consumables used constituted the largest component of our cost of sales, which amounted to approximately RMB738.9 million, RMB1,328.2 million, RMB1,510.1 million and RMB926.3 million, representing approximately 57.4%, 67.9%, 67.9% and 64.6% of our total costs of sales of Continuing Operations for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. We did not encounter any significant delays or shortages in the supply of our raw materials during the Track Record Period. Steel is our principal raw material. We did not conduct any hedging activities with respect to the price fluctuation in the raw materials during the Track Record Period. For the sensitivity analysis of the impact of hypothetical changes in the cost of raw materials and consumables on our profit after tax during the Track Record Period, please refer to the section headed "Financial Information – Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income – Cost of sales – Sensitivity analysis" in this prospectus.

Suppliers

We maintain a list of qualified suppliers and have in place a set of selection criteria for suppliers of our raw materials, parts and components, including various factors such as quality of work, pricing, reputation in the industry, supplier's qualification and financial position. Potential suppliers that satisfy our selection criteria will be included in our list of qualified suppliers, which will be reviewed and updated from time to time. We generally obtain price quotation from at least three potential suppliers.

We had entered into framework agreements with some of our suppliers and sub-contractors for parts and components, consumables or processing work that are commonly used or applied in our projects. The framework agreements generally set out payment terms, quality requirements, warranty period, and delivery terms. There is no minimum purchase commitment on us. For those suppliers without a framework agreement, we generally enter into individual purchase contract/order and negotiate the price, quantity and payment terms with them on a case-by-case basis. We also maintain long-term cooperative relationships with our major suppliers by entering strategic cooperation agreements.

Major Suppliers

We have established stable and long-term business relationship with our major suppliers. As at 30 September 2020, we had on average around six years of business relationship with our top five suppliers for the Track Record Period. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, purchases from our top five suppliers amounted to approximately RMB127.2 million, RMB388.8 million, RMB386.2 million and RMB172.0 million, representing approximately 13.6%, 17.8%, 16.8% and 16.4% of our total purchases, respectively, among which purchases from our largest supplier amounted to approximately RMB32.9 million, RMB119.9 million, RMB98.7 million and RMB45.3 million, representing approximately 3.5%, 5.5%, 4.3% and 4.3% of our total purchases, respectively.

The information of our top five suppliers for the Track Record Period is set out below:

For the year ended 31 December 2017

	Supplier	Background	Year in which our business relationship commenced	Products/ services provided to us	Purchase amount *(RMB'000)*	Percentage of our total purchases *(%)*	Credit term and payment method
1	Supplier A	A private company established in Shanghai City which principally engaged in provision of wholesale and retail of metal materials and building materials; import and export of goods and technology.	2011	Steel plates	32,862	3.5	30 days, telegraphic transfer or acceptance bill
2	Supplier B	A subsidiary of a company listed on Tokyo Stock Exchange and is principally engaged in provision of EPC business and functional materials manufacturing.	2017	Valves and pipe fittings	28,323	3.0	30 days, telegraphic transfer
3	Supplier C	A private company established in Shanghai City which principally engaged in provision of maritime, domestic and air cargo transportation agency.	2016	Transportation and port services	25,433	2.7	14 days, telegraphic transfer
4	Supplier D	A private company established in Shanghai City which principally engaged in provision of mechanical and electrical equipment, metal materials and chemical raw materials.	2010	Steel plates, pipe and pipe fittings	21,207	2.3	30 days, telegraphic transfer
5	Morimatsu Mixing	A private company established in Shanghai City which principally engaged in provision of design and produce reactors, heat exchangers, filters, sanitary vessels, towels and fine chemical equipment and related pipelines and mechanical parts.	2016	Mixing tank	19,354	2.1	30 days, acceptance bill
				Total	127,179	13.6	

For the year ended 31 December 2018

	Supplier	Background	Year in which our business relationship commenced	Products/ services provided to us	Purchase amount *(RMB'000)*	Percentage of our total purchases *(%)*	Credit term and payment method
1	Supplier A	A private company established in Shanghai City which principally engaged in provision of wholesale and retail of metal materials and building materials; import and export of goods and technology.	2011	Steel plates	119,860	5.5	30 days, telegraphic transfer or acceptance bill
2	Supplier E	Two subsidiaries of a company listed on Shenzhen Stock Exchange and principally engaged in provision of research, develop, produce and sales of rare metal materials. The parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB2,006 million and RMB116.9 million, respectively, according to the parent company's annual report.	2011	Cladding plates	95,966	4.4	60 days, telegraphic transfer or acceptance bill
3	Supplier F	A private company established in Shanghai City which principally engaged in provision of housing construction project contracting, mechanical and electrical equipment installation engineering contracting, building decoration engineering contracting, steel structure engineering contracting.	2010	General contracting business for new construction projects	77,734	3.6	30 days, telegraphic transfer or acceptance bill
4	Supplier G	A company listed on the Nasdaq Stock Market and is principally engaged in provision of manufacturing and distribution of products utilised by the global oil and gas industry and production of explosion-welded clad metal plates. Its parent listed group revenue and profit for the year ended 31 December 2019 amounted to approximately USD397.6 million and USD34.0 million, respectively, according to its parent company's annual report.	2010	Cladding plates	52,658	2.4	Payment in advance, telegraphic transfer or letter of credit
5	Supplier D	A private company established in Shanghai City which principally engaged in provision of mechanical and electrical equipment, metal materials and chemical raw materials.	2010	Steel plates, pipe and pipe fittings	42,548	1.9	60/90 days, telegraphic transfer or acceptance bill
				Total	388,766	17.8	

For the year ended 31 December 2019

	Supplier	Background	Year in which our business relationship commenced	Products/ services provided to us	Purchase amount *(RMB'000)*	Percentage of our total purchases *(%)*	Credit term and payment method
1	Supplier A	A private company established in Shanghai City which principally engaged in provision of wholesale and retail of metal materials and building materials; import and export of goods and technology.	2011	Steel plates	98,741	4.3	60 days, telegraphic transfer or acceptance bill
2	Supplier H	A state-owned company established in Shaanxi Province which principally engaged in provision of titanium, nickel, zirconium, tungsten, molybdenum, tantalum, niobium, hafnium, aluminum, magnesium, steel metal and deep processing.	2018	Cladding plates	84,686	3.7	60 days, telegraphic transfer or acceptance bill
3	Supplier E	Two subsidiaries of a company listed on Shenzhen Stock Exchange and principally engaged in provision of research, develop, produce and sales of rare metal materials. The parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB2,006 million and RMB116.9 million, respectively, according to the parent company's annual report.	2011	Cladding plate	82,803	3.6	60 days, telegraphic transfer or acceptance bill
4	Supplier I	A private company which principally engaged in provision of metal materials, stainless steel products, building materials, decoration materials.	2012	Steel pipes	72,163	3.1	Payment in advance, telegraphic transfer
5	Supplier J	A private company established in Shanghai City which principally engaged in provision of the assembly of various valves and related sensors, controllers and fluid control systems in the zone.	2017	Valves and meters	47,765	2.1	120 days, telegraphic transfer
				Total	386,158	16.8	

For the nine months ended 30 September 2020

	Supplier	Background	Year in which our business relationship commenced	Products/ services provided to us	Purchase amount *(RMB'000)*	Percentage of our total purchases *(%)*	Credit term and payment method
1	Supplier A	A private company established in Shanghai City which principally engaged in provision of wholesale and retail of metal materials and building materials; import and export of goods and technology.	2011	Steel plates	45,303	4.3	30 days, telegraphic transfer or acceptance bill
2	Supplier D	A private company established in Shanghai City which principally engaged in provision of mechanical and electrical equipment, metal materials and chemical raw materials.	2010	Steel plates, pipe and pipe fittings	43,943	4.2	30 or 45 days, telegraphic transfer or acceptance bill
3	Supplier F	A private company established in Shanghai City which principally engaged in provision of housing construction project contracting, mechanical and electrical equipment installation engineering contracting, building decoration engineering contracting, steel structure engineering contracting.	2010	General contracting business for new construction projects	32,756	3.1	30 days, telegraphic transfer or acceptance bill
4	Supplier E	Two subsidiaries of a company listed on Shenzhen Stock Exchange and principally engaged in provision of research, develop, produce and sales of rare metal materials. The parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB2,006 million and RMB116.9 million, respectively, according to the parent company's annual report.	2011	Cladding plates	31,610	3.0	60 days, telegraphic transfer or acceptance bill
5	Supplier K	A private company established in Jiangsu Province which principally engaged in provision of manufacturing and processing of forgings, pipe fittings, flanges and metal products.	2011	Forgings	18,342	1.8	60 days, telegraphic transfer or acceptance bill
				Total;	171,954	16.4	

Save for Morimatsu Mixing, which was owned as to 95.72% by Morimatsu Industry, our Controlling Shareholder, all of our top five suppliers during the Track Record Period were Independent Third Parties, and none of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our top five suppliers during the Track Record Period.

Our customer, namely Supplier B, was also one of our top five suppliers for the year ended 31 December 2017. Supplier B, which was an EPC contractor, was our customer during the Track Record Period. We built our relationship with Supplier B by selling traditional pressure equipment in 2010, and then commenced selling modular pressure equipment to Supplier B in 2016. During the Track Record Period, we mainly sold traditional pressure equipment and modular pressure equipment to supplier B in oil and gas industry. Our revenue attributable to our sales to Supplier B amounted to approximately RMB16.5 million, RMB49.1 million, RMB4.1 million and RMB3.4 million, representing approximately 1.1%, 2.0%, 0.1% and 0.2% of our total revenue from Continuing Operations for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively, with corresponding gross profit attributable to Supplier B amounted to approximately RMB1.6 million, RMB2.2 million and RMB1.2 million for the years ended 31 December 2017 and 2019 and the nine months ended 30 September 2020, respectively, and a gross loss of approximately RMB6.7 million for the year ended 31 December 2018. The gross loss from our sales to Supplier B in 2018 was primarily attributable to (i) the lower price offered to Supplier B for its first modular pressure equipment engaged with us in 2016 to entice Supplier B to place more orders of modular pressure equipment from us; and (ii) the additional labor and utility costs due to delay of the project of modular pressure equipment resulted from the request of change of product design by supplier B. Nonetheless, the total gross loss from Supplier B was approximately RMB1.7 million during the Track Record Period, and therefore our Directors did not consider the gross loss from Supplier B in 2018 was a material loss making. Considering that we could apply for tax exemption in the PRC for imported materials from Supplier B, we purchased piping materials from Supplier B which in turn were used for manufacturing piping manifold skids for Supplier B. Our purchases from Supplier B amounted to approximately RMB28.3 million and RMB3.8 million, representing approximately 3.0% and 0.2% of our total purchases for the years ended 31 December 2017 and 2018, respectively.

TRADE TENSION BETWEEN CHINA AND THE UNITED STATES

In recent years, there has been a deterioration in the relationship between China and the United States which has resulted in intense potential conflicts between the two countries in trade, technology and other areas. For instance, the United States has introduced a number of additional customs duties at different rates on various goods imported from China since July 2018. Our revenue from Continuing Operations derived from the United States was approximately RMB475.8 million, RMB429.5 million, RMB407.0 million and RMB97.3 million for the years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020, representing approximately 30.3%, 17.4%, 14.4% and 4.8% of our total revenue from Continuing Operations for the corresponding period. Certain of our products are subject to additional tariff imposed by the United States, such as parts of certain types of heat exchangers. As confirmed by our Directors, during the Track Record Period, our products were sold and delivered to the United States mainly on EXW and FOB basis which according to F&S Report the buyer generally pays customs duties. Therefore, we were not responsible for customs clearance within the jurisdiction of the United States nor were we responsible for the payment of any import tariffs for products imported into the United States. Nonetheless, the additional tariff on certain of our goods imposed by the Unites States may in turn reduce the competitiveness of our products in the United States. Since the imposition of the additional tariff by the United States in July 2018 and May 2019, the new contract value of projects in the United States secured by us had decreased from approximately RMB417.2 million for the year ended 31 December 2018 to approximately RMB190.4 million and RMB207.3 million for the year ended 31 December 2019 and the nine months ended 30 September 2020, respectively, the financial impact of which was reflected only after a period of time when the revenue from the relevant contract was recognised. As a result, our sales to the United States decreased sharply from approximately RMB336.3 million for the nine months ended 30 September 2019 to approximately RMB97.3 million for the nine months ended 30 September 2020.

The following table sets forth the list of our products which are subject to additional tariff during the Track Record Period:

		Year ended 31 December						Nine months ended 30 September 2020		
		2018			2019					
Types of Products	**Effective Date of Additional Tariff**	**Revenue** *RMB'000*	**Percentage of total revenue** *(%)*	**Customs Duties**(Note 1) *RMB'000*	**Revenue** *RMB'000*	**Percentage of total revenue** *(%)*	**Customs Duties**(Note 1) *RMB'000*	**Revenue** *RMB'000*	**Percentage of total revenue** *(%)*	**Customs Duties**(Note 1) *RMB'000*
Traditional pressure equipment										
Heat exchangers	6 July 2018	16,588	0.7	4,147	23,708	0.8	5,927	592	0.03	148
Tanks	6 July 2018	5,078	0.2	1,269	49,103	1.7	12,276	9,152	0.5	2,288
	23 August 2018	2,054	0.1	514	6,507	0.2	1,627	4,196	0.2	1,049
Reactors	6 July 2018	5,069	0.2	1,267	97	0.003	24	14,526	0.7	3,632
Towers	6 July 2018	31,251	1.3	7,813	15,549	0.6	3,887	–	–	–
	23 August 2018	–	–	–	6,386	0.2	1,563	1,460	0.1	399
		60,040	*2.4*	*15,010*	*101,350*	*3.6*	*25,304*	*29,926*	*1.5*	*7,516*
Modular pressure equipment	6 July 2018	71,951	2.9	17,988	66,365	2.3	16,591	–	–	–
	23 August 2018	84,604	3.4	21,151	763	0.03	191	196	0.01	49
	10 May 2019	50,452(Note 2)	2.0	12,613	179,431	6.3	37,616	–	–	–
		207,007	*8.4*	*51,752*	*246,559*	*8.7*	*54,398*	*196*	*0.01*	*49*
	Total	267,047	10.8	66,762	347,909	12.3	79,703	30,122	1.5	7,565

Notes:

Note 1: As mentioned above, we were not responsible for the payment of any import tariffs for products imported into the United States during the Track Record Period. The hypothetical customs duties are calculated by multiplying (a) the revenue recognised for the products on which additional tariffs are imposed by (b) the applicable tariff rate.

Note 2: Revenue from the products was recognised over time measuring to the progress towards complete satisfaction based on cost-to-cost method in 2018. Such products were completed and transferred to customers in 2019 when the U.S. introduced additional tariff.

The following illustrates the hypothetical impact on the cost of sales and profit from Continuing Operations for the year/period assuming the additional U.S. tariff rate of 25% is borne by us applicable to products when the export customs declaration for the destination of the U.S. during the corresponding year/period, while all other factors remain unchanged:

	Year ended 31 December		Nine months ended 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales from Continuing Operations	1,955,935	2,223,441	1,433,464
Profit for the year/period from Continuing Operations	146,454	140,946	221,198
Assuming additional 25% tariff is borne by us			
Impact on cost of sales	60,950	75,945	17,133
Impact on profit for the year/period	50,183	64,470	14,653

In addition, during the Track Record Period, we procured supplies from the United States, such as ball valve (球閥), nickel alloy plate (鎳合金板材) and nickel alloy pipe (鎳合金管子). The supplies we procured from the United States amounted to approximately RMB57.3 million, RMB164.1 million, RMB110.2 million and RMB65.9 million, representing approximately 6.1%, 7.5%, 4.8% and 6.3% of our total purchase, for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. The supplies we procured from United States are readily available for procurement in other countries on comparable commercial terms. Other than from the United States, we had procured the supplies such as ball valve (球閥), nickel alloy plate (鎳合金板材) and nickel alloy pipe (鎳合金管子) from other countries, including Germany, the United Kingdom, Czech Republic, Italy and Japan, during the Track Record Period. In 2019 and 2020, the U.S. government also announced several executive orders and regulations effectively barring American firms from selling, exporting, re-exporting, or transferring U.S.-origin technology, components and software, among other items, to certain Chinese technology companies. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not adopted any technology originated from the United States.

With our internationalisation business strategy, we have established a worldwide customer base. As such, while our revenue from the United States had been partly affected by the trade tension between the PRC and the United States and hence decreased by approximately RMB239.0 million for the nine months ended 30 September 2020 as compared to the nine months ended 30 September 2019, we were able to secure business opportunities in other countries, with an increase in revenue derived from other overseas countries by approximately RMB365.0 million for the nine months ended 30 September 2020. Moreover, while we had procure certain supplies from the United States during the Track Record Period,

the supplies we procured from the United States are readily available in other countries. Based on the above, our Directors believe the trade tension between China and the United States would not have material impact on our business and financial performance.

To alleviate the risks associated with the trade tension between China and the United States, we intend to establish a new production base in Malaysia through joint venture to mitigate the business risks from the intensification of the trade disputes between the United States and the PRC, and reduce reliance on our supply chain in the PRC. We are in discussion with a potential Malaysian joint venture partner to establish a joint venture company, which will be owned by our Group and the joint venture partner as to 51% and 49%, respectively. The estimated initial capital investment in the joint venture to be made by us is around RMB11.4 million, which is expected to be funded by net proceeds of approximately RMB10.0 million from the Global Offering and our internal resources. It is currently expected that, subject to unforeseen circumstances, the production base of the joint venture company will commence operation by end of 2021. The joint venture partner is a subsidiary of a company listed on the Main Market of Bursa Malaysia, which is an integrated technical service provider in the oil, gas and petrochemical industry, with a diverse range of customers that include multinational oil majors, national oil companies as well as multinational engineering and service providers. Having considered the background of the joint venture partner, we believe that the establishment of the joint venture company will not only enable us to reduce our reliance on the supply chain in the PRC, but also enhance our position in the oil and gas industry, further widen our customer base and advance internationalisation.

QUALITY CONTROL

We believe that quality standards are crucial to our success. Therefore, we have put in place a quality control system to ensure that the quality of our products meet the expectations of our customers. We have implemented a strict quality control system, which has been accredited with various quality management certifications, including ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018. Our products are supplied to both domestics and overseas customers. As such, our products have to comply with the standards imposed by the relevant export countries.

As at the Latest Practicable Date, our quality control department comprised 274 employees, majority of whom received tertiary or higher education and were familiar with the applicable industry requirements. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our customers in respect of the quality of our products and services, and there was no incident of failure of our quality control systems that had a material adverse impact on our business operations.

Quality control in our production and operation processes

We adopt the following major quality control procedures in our production processes:

Procurement

We implement quality control measures to ensure the quality of raw materials, parts and components procured. We maintain a list of approved suppliers, which is subject to our review from time to time. It is our policy to make procurement only from the approved suppliers. In addition, we conduct routine inspection and sample tests on raw materials, parts and components procured from our suppliers before they are used in the production process to ensure that such materials, parts and components comply with our specifications and also the quality standards required. In the event that we detect any substandard or defective raw materials, parts or components, we will return them to the relevant suppliers for replacement.

In-process quality testing

We carry out in-process quality inspection and tests at various stages of the production process. In particular, our quality assurance staff inspect key production stages to ensure the critical works, such as key control points and welding positions, are done properly. Such in-process quality testing enables us to identify any defects easily and to promptly rectify the problems. During the process of pressure equipment production, we also conduct standard non-destructive testing and hydrostatic testing to ensure our pressure equipment is able to bear the high pressure, temperature, and have overall good integrity and quality.

Finished product testing

Our quality control team conducts various types of testing on finished products to make sure that the finished products meet the relevant technical standards and our customer's specifications. Prior to delivery, our staff work with the customers to perform factory acceptance testing at our production bases to ensure the equipment operates according to customers' specifications and functional requirements. Adjustments will be made if necessary to the satisfaction of the customers. Only finished products that pass the final product quality control testing will be delivered to our customers.

With regard to our modular pressure equipment, comprehensive testing of the modular pressure equipment will be conducted to ensure that the modular pressure equipment can be fully integrated into our customer's/project owners' existing system so as to ensure that the production line is operating smoothly before handing over the modular pressure equipment for our customer's acceptance.

RESEARCH AND DEVELOPMENT

We place great emphasis on our research and development capabilities as we believe that it will enable us to maintain our market position and allow us to compete effectively with leading players in the industry.

Our research and development centres are located in our production bases in Shanghai and Nantong. As at the Latest Practicable Date, our research and development team comprised 323 personnel, majority of whom have received tertiary or higher education with diplomas and have an average 10 years of experience in related industries. Our research and development team is led by Mr. Mao Lurong, who has over 20 years of experience in the pressure equipment industry. Leveraging the knowledge, skills and industry experience of our research and development team, we have been successful in developing new products that meet the demands of broad end-markets and timely and effectively serving customers' technical needs.

Our research and development activities primarily focus on developing new processing skills and products as well as upgrading or improving our existing products, with an aim of adhering to the changing market standards and requirements. We conducted research and development activities in three main aspects: product, platform and engineering. Our product research and development activities mainly focus on diversifying our product portfolio, as well as improving the product performance, such as the efficiency, functions and usages of products, aiming to design and manufacture products that satisfy the specific requirements of customers. In addition, we develop our own software and platform, such as the iMES, which not only can enhance our operational efficiency but also can improve our value-added services to customers. Our engineering research and development activities mainly focus on creating innovative and pioneer solutions and services to our customers based on customers' needs and the latest development of the application industries.

During the Track Record Period, apart from relying on our own capabilities, we have collaborated with universities in the PRC with a view to further enhancing our research and development capability. We have entered collaborative arrangements with Shanghai Jiao Tong University and East China University of Science and Technology to take advantage of the research skills and technology of the universities to optimise our product designs, enhance the quality of our pressure equipment, improve our manufacturing technology, and co-develop pressure equipment to be kept abreast with latest industry trend. In addition, to enlarge our talent pool, we also offered internship opportunities to students of Shanghai Jiao Tong University and East China University of Science and Technology, and then recruited the desired graduates based on their performance after the internship.

During the Track Record Period, our research and development expenses amounted to approximately RMB87.2 million, RMB120.7 million, RMB126.1 million and RMB74.9 million, respectively. Our research and development expenses incurred mainly represented: (i) the salaries and other benefits paid to our research and development personnel; (ii) the depreciation and amortisation of the research facilities; and (iii) the materials and supplies used for our research and development activities.

The details of our core projects, which are highly recognised by our customers in light of our research and development efforts, are set out below:

Project description	Major achievement/ significance of the projects	Actual costs *(RMB'000)*
Visual operation and maintenance interactive management platform for the engineering manufacturing industry	It is an advanced data analysis platform for pharmaceutical users and the foundation for the development of smart factories and fully-automatic factories.	2,327
Data collection analysis management platform in industrial production site	It enables enterprises to complete construction project with high efficiency, high quality and low energy consumption. It also realises the combination and integration of information and products.	4,520
Development of HPV vaccine fermentation system	It complies with articles in the "High and New Tech Fields under the Key Support of the State". It is an advanced biopharmaceutical technology.	5,356
Development of a new vaccine preparation system	It complies with articles in the "Guidelines for Current Priorities for Development in key Sectors of Hi-Tech Industry". It is an advanced pharmaceutical equipment.	3,443
Development of skid for gas dehydration unit	The industrial gas industry is a pillar industry which plays an important role in the national economy. It saves a lot of manpower and material resources and hence can shorten the construction period through modular design and construction, comparing with traditional chemical plant construction methods. Therefore, this project has a very broad market prospects, economic and social benefits.	4,755

We also plan to enhance our research and development capabilities. Details of our major pipeline projects are set out below:

Project description	Estimated project coverage	Estimated major achievement/significance of the projects	Estimated costs *(RMB'000)*
Research and development in material application and technology	Research and development in special materials and anti-corrosion technology development, material selection and use in new industries, research and development of material surface treatment technology, research on the application mechanism of high and low temperature resistant materials	It is a necessary technical foundation for the development of new products in biopharmaceutical, electronic chemical, metallurgy and marine engineering industry.	60,000
Research and development in welding technology	Improvement and development of platform for data assessment of welding process, development and innovation of new welding process, research and development of welding robots in the pressure equipment production, tackling key technical problems in welding of special materials and solving technical problems in welding of special materials, research and development of heat treatment technology	It (i) ensures our production process and technology remain in the leading position in the industry; (ii) meets the needs of client in downstream industries; and (iii) accumulates process technology to explore new products.	30,000

Project description	Estimated project coverage	Estimated major achievement/significance of the projects	Estimated costs *(RMB'000)*
Research and development in large-scale processing technology	Research and development in large-scale intelligent machining technology, keeping pace with the cutting-edge technology and development direction of machining, and development of 3D printing technology	It is a technical basis for large-scale and heavy-duty products.	10,000
Research and development in digital technology	Strength analysis and development of calculation method, development of digital twin technology, research and development of intelligent engineering digital platform, digital operation and field data collection, technical specifications and standardisation of electrical instrument control and programming, integrated solutions of hardware and software in engineering project, and development of production management system for modular pressure equipment manufacturing	It is (i) the basis for improving technical analysis, design and calculation capabilities; (ii) the foundation of digital factory construction; (iii) background software algorithms for digital service operation and maintenance services	103,000

Project description	Estimated project coverage	Estimated major achievement/significance of the projects	Estimated costs *(RMB'000)*
Research and development in flow field analysis technology	Analysis and study (i) mathematical flow field model; (ii) velocity field distribution; (iii) temperature field distribution; (iv) medium concentration and composition distribution; and (v) heat transfer efficiency in the reaction or mixing process of the reactor or heat exchanger. Research on optimisation structure of flow field analysis results in the reactor or heat exchanger	It studies the process of reaction, mixing and heat transfer in reactors and heat exchangers. It optimises the structural design of equipment, improves the production capacity and efficiency of the equipment, reduce operating energy consumption, and improves the market competitiveness and technology leadership.	12,000
Research and development in application technology	Biology, cell reactor systems, multi-linked bioreactors, disposable liquid dosing system, granulation systems; isolation systems; modular factory buildings, data centers, modular utilities, modular hospital products	Promote the application and market promotion of biopharmaceutical technology and modular technology.	110,000

SALES AND MARKETING

We identify potential business opportunities mainly through (i) tendering/quotation and (ii) direct negotiation. Our customers can generally determine at their discretion the method of identifying suppliers to suit their specific needs, unless they are required under the applicable laws, rules and regulations to carry out competitive bidding.

As at the Latest Practicable Date, our sales and marketing team comprised 110 personnel. Our sales and marketing team is responsible for market research, project tracking, coordination of project bidding and quotation, contract negotiations and customer relationship management in both domestic and overseas markets. We have sales experts who have specific expertise in each of the downstream industries we serve, smoothing our communication with our customers, and facilitating marketing research and exploration of business opportunity effectively.

In order to maintain good relationships with our customers, our sales team will conduct regular visits to our key customers in the PRC and overseas. Such visits act as feedback sessions with our customers and we are able to be kept informed of the latest developments in respect of our customers' business as well as their on-going requirements. The visits are invaluable in securing further contracts and represent an opportunity for us to keep our customers informed of our latest product development activities and to collect market data. In addition, we have overseas subsidiaries in Sweden, Japan, India, and the U.S. to explore international business opportunities.

PRICING POLICY

We normally set a price on a cost-plus basis taking into account a variety of factors, including cost of raw materials, labour costs, research and development costs, complexity of the work, sub-contracting costs, business strategies, market demand, the specification and/or customisations required by our customers and past relationships with the customers. During the Track Record Period, save for the gross loss from our sales to Supplier B in 2018 as disclosed in the section headed "Business — Procurement and Suppliers — Major Suppliers" in this prospectus, we have not experienced any cost overrun with our projects that has materially affected our Group. Our Directors believe that the risk of cost overrun for our projects is relatively low because the obtaining of fee quotes, signing of project contracts and placing orders with suppliers take place within a relatively short period of time. Nonetheless, if we experience an unexpected increase in material costs during the period from signing of a project contract to placing the relevant purchase order with our suppliers, we generally would not be able to pass on any increase in raw material costs to our customers. If a customer would like to change the scope or specification of work which results in a material increase in cost and necessitates a substantial adjustment of our fee, we would enter into a supplemental contract with the customer in respect of the additional work or equipment to be provided.

INVENTORY MANAGEMENT

Our inventories include raw materials and work-in-progress. Our principal raw materials are steel materials such as steel plates, steel pipes and forgings, and the principal parts and

components include valves, meters, pipe fittings and pumps. As our business is on project basis and our products are customised upon requests from our customers, we usually do not have inventory for finished goods at the end of each year/period.

As our production process is principally sales-driven, procurement arrangements with our suppliers for each individual project are generally made after we have entered into the relevant contract and confirmed the project specifications with our customers and therefore we are generally not exposed to significant over-stocking risk.

We stock inventories generally for production of the on-going projects. We seek to maintain our inventory at a level sufficient to ensure that no interruption is caused to our production. As at 31 December 2017, 2018 and 2019 and 30 September 2020, our inventory balance amounted to approximately RMB397.9 million, RMB822.7 million, RMB1,132.5 million and RMB915.7 million, respectively, representing approximately 14.3%, 22.4%, 34.6% and 29.8% of our total assets as at the respective year/period end dates. During the Track Record Period, the average inventory turnover days was approximately 127 days, 112 days, 158 days and 195 days for the relevant periods, respectively.

MARKET COMPETITION

According to the F&S Report, the pressure equipment industry in China was relatively fragmented, with the top five manufacturers and solution service providers of integrated pressure equipment solutions accounting for approximately 10.0% of total sales revenue of pressure equipment in China in 2019. We mainly compete with state-owned and non-state owned pressure equipment manufacturers and providers of integrated pressure equipment solutions in the PRC, and we were the fourth largest pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC in terms of sales revenue in 2019 with a market share of approximately 1.5% and the largest non-state owned pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC in terms of sales revenue in 2019. Please refer to the section headed "Industry Overview – Competitive Landscape" in this prospectus for more details.

According to the F&S Report, with the developing trend of large scale and high performance parameter in China's pressure equipment industry, the major challenge is insufficient technological innovation and lack of research capabilities, especially in the development of high-performance materials and the design and manufacturing of special pressure equipment. Most of the pressure equipment manufacturers and providers of integrated pressure equipment solutions in China do not have sufficient research and development investment and experienced research and development talents, which is difficult for them to meet the improving requirements for the quality, operation and maintenance of pressure equipment. Therefore, we have devoted lots of resources in our research and development in manufacturing pressure equipment, and according to F&S Report, our strong design and innovation ability is our competitive advantages. In addition, according to F&S Report, our competitive advantages also include our manufacturing capability, rich customer resources, comprehensive modular solutions, full range of professional qualifications, and our ability of module fabrication.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had 150 registered patents (including 29 invention patents, 119 utility model patents and two industrial designs), 17 copyrights for our software, and 95 patent applications in process. We have also registered a total of 94 trademarks in the PRC, Hong Kong and the overseas. In addition, we are the registered owner of seven domain names. Please refer to the section headed "Statutory and General Information – B. Further Information about our Business – 2. Intellectual property of our Group" in Appendix VI to this prospectus for further details on our intellectual rights.

We have entered into employment agreements with confidentiality and non-compete provisions with our senior management and certain key members of our research and development team and other employees who have access to trade secrets or confidential information relating to our business. Also, our standard form employment contracts contain confidentiality, and other clauses pursuant to which we are the owner of all rights to all inventions, technology know-how and trade secrets derived during the course of our employees' work.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights or any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

LICENSE AND PERMITS

We have obtained more than 20 industrial licences/certificates granted by relevant authorities in both the PRC and overseas as to our conformity with industry standards.

The table below sets out information relating to our material licences, permits and approvals:

License/permit/approval	Awarded Subsidiary	Issuing body/authority	Issue date	Expiry date
Production License of Special Equipment of the PRC (Pressure piping design GC2) (特種設備生產許可證) (壓力管道設計GC2)	Morimatsu Pharmaceutical Equipment	Shanghai Municipal Administration for Market Regulation (上海市市場監督管理局)	8 July 2019	5 July 2023
Production License of Special equipment of the PRC (Pressure vessel manufacturing Type D) (特種設備生產許可證) (壓力容器製造D類)	Morimatsu Pharmaceutical Equipment	Shanghai Municipal Administration for Market Regulation (上海市市場監督管理局)	21 January 2020	20 January 2024

License/permit/approval	Awarded Subsidiary	Issuing body/authority	Issue date	Expiry date
Installation License of Special Equipment of the PRC (Pressure piping installation GC2) (特種設備安裝許可證) (壓力管道安裝GC2)	Morimatsu Pharmaceutical Equipment	Shanghai Municipal Quality and Technical Supervision Bureau (上海市質量技術監督局)	11 October 2018	12 October 2022
Installation, Alteration, Repair & Maintenance License of Special Equipment of the PRC (Pressure piping installation GC2) (特種設備安裝改造維修許可證) (壓力管道安裝GC2)	Morimatsu Heavy Industry	Jiangsu Province Quality and Technical Supervision Bureau (江蘇省質量技術監督局)	29 December 2017	28 December 2021
Design License of Special Equipment of the PRC (Pressure vessel design A1, A2, SAD) (特種設備設計許可證) (壓力容器設計A1, A2, SAD)	Morimatsu Heavy Industry	State Administration for Market Regulation (國家市場監督管理總局)	24 April 2019	23 April 2023
Manufacture License of Special Equipment of the PRC (Pressure vessel manufacturing A1, A2) (特種設備製造許可證) (壓力容器製造A1, A2)	Morimatsu Heavy Industry	State Administration for Market Regulation (國家市場監督管理總局)	31 May 2019	26 June 2023
Certificate of Authorisation (ASME-NB)	Morimatsu Heavy Industry	The National Board of Boiler & Pressure Vessel Inspectors	2 October 2014	remains valid as long as it holds the Certificate of Authorisation issued by the ASME

License/permit/approval	Awarded Subsidiary	Issuing body/authority	Issue date	Expiry date
Certificate of Authorisation (ASME-U1)	Morimatsu Heavy Industry	ASME	29 August 2020	29 August 2023
Certificate of Authorisation (ASME-U2)	Morimatsu Heavy Industry	ASME	29 August 2020	29 August 2023
Safety production license (安全生產許可證)	Morimatsu Pharmaceutical Equipment	Shanghai Municipal Housing and Construction Bureau Management Committee (上海市住房和城市建設管理委員會)	6 March 2020	5 March 2023
Pollutant Discharge Permit (排污許可證)	Morimatsu Heavy Industry	Nantong City Ecological Environment Bureau (南通市生態環境局)	10 January 2020	9 January 2022
Radiation Safety Permit (輻射安全許可證)	Morimatsu Heavy Industry	Environmental Protection Department of Jiangsu Province (江蘇省環境保護廳)	13 June 2016	18 May 2021

Out of the more than 20 industrial licenses/certificates granted, four licenses/certificates will expire in 2021 and we will apply for renewal of such licenses/certificates as and when appropriate. Based on our understanding, the issuing body/authority generally would grant the renewal of the relevant license/certificate to us (i) if there is no adverse change in our manufacturing capability, such as the major production machinery that we equipped at our production facilities and the qualification of our technical personnel, as compared to the time when we first applied for the relevant license/certificate; and (ii) if we have complied with/met the relevant requirements/standard of the relevant license/certificate during the term of the relevant license/certificate. We do not expect any legal impediment to renew these licenses upon their expiration and historically, we have not failed to renew the relevant licenses/certificates that had expired. Except as disclosed in the section headed "Business — Regulatory compliance", as confirmed by our PRC Legal Advisers, we had obtained all requisite material licenses, permits and approvals from the relevant PRC authorities for our operations in the PRC as at the Latest Practicable Date.

AWARDS AND RECOGNITIONS

Over the years we have obtained various awards and recognitions from a number of accrediting institutions as to conformity with industry standards of specifications of our products and acceptance of our products into a recommended catalogue. The table below sets forth the more notable awards and recognitions obtained by us:

Year of award	Award/Recognition	Issuing authority
2020	Benchmark unit (紅旗單位)	Chinese Communist Party Rugao City Committee (中共如皋市長江鎮委員會) Rugao City People's government (如皋市長江鎮人民政府)
2019	Changjiang town transform and upgrade advanced enterprises (長江鎮轉型升級先進企業)	Chinese Communist Party Rugao City Committee (中共如皋市長江鎮委員會) Rugao City People's government (如皋市長江鎮人民政府)
2019	Changjiang town top ten taxation companies (長江鎮税收十強)	Chinese Communist Party Rugao City Committee (中共如皋市長江鎮委員會) Rugao City People's government (如皋市長江鎮人民政府)
2018	External Business Partner Excellence Award	P&G
2018	External Business Partner of the year	P&G
2017	Excellent supplier	Samsung Engineering
2016	Shanghai Enterprise Technology Centre (上海市認定企業技術中心)	Shanghai Economic and Information Commission (上海市經濟和信息化委員會) Shanghai Municipal Finance Bureau (上海市財政局) Shanghai Custom (上海海關) Shanghai State Taxation Bureau (上海市國家税務局) Shanghai Local Taxation Bureau (上海市地方税務局)
2016	Songjiang District patent testing point (松江區專利試點企業)	Shanghai Songjiang District Intellectual Property Office (上海市松江區知識產權局)
2015	Shanghai Science and Technology Little Giant Enterprise (上海市科技小巨人企業)	Shanghai Science and Technology Commission (上海市科學技術委員會) Shanghai Economic and Information Commission (上海市經濟和信息化委員會)
2014	Songjiang District Enterprise Technology Centre (松江區企業技術中心)	Shanghai Songjiang District Economic Commission (上海市松江區經濟委員會)

PROPERTIES

Owned properties

Our Nantong production base is located at Nantong, Jiangsu Province, the PRC, and has a total GFA of approximately 121,618 sq.m.. Our Nantong production base is consisted of nine workshops. For details, please refer to "Appendix IV — Property Valuation Report" to this prospectus.

Leased properties

Details of our material leased properties as at the Latest Practicable Date are set out as follows:

No.	Location	Lessee	GFA (*Sq.m.*)	Lease Term	Use Of Property
1	No. 29 Jinwen Road, Pudong New District, Shanghai, the PRC (上海市浦東新區金聞路29號)	Morimatsu China	113	1 January 2021 – 31 December 2021	Office
2	No. 29 Jinwen Road, Pudong New District, Shanghai, the PRC (上海市浦東新區金聞路29號)	Morimatsu Pharmaceutical Equipment	26,497	1 January 2021 – 31 December 2021	Production base and office
3	No. 29 Jinwen Road, Pudong New District, Shanghai, the PRC (上海市浦東新區金聞路29號)	Morimatsu Heavy Industry	30,540	1 January 2021 – 31 December 2021	Production base and office
4	Block 1, No.489 Zhongmin Road, Maogang Town, Songjiang District, the PRC (上海市松江區泖港鎮中民路489號1幢)	Morimatsu Pharmaceutical Equipment	5,000	26 October 2011 – 25 October 2041	Office
5	No. 2606 and 2607, 26th Floor, Block A, Optics Valley New World, No. 355, Guanshan Avenue, East Lake New Technology Development Zone, Wuhan (Wuhan Area, Free Trade Zone), the PRC (武漢市東湖新技術開發區關山大道355號光谷新世界A座26層2606、2607號(自貿區武漢片區))	Morimatsu Pharmaceutical Equipment	460	16 January 2021 – 15 February 2023	Office

No.	Location	Lessee	GFA (Sq.m.)	Lease Term	Use Of Property
6	No. 2611, 26th Floor, Block A, Optics Valley New World, No. 355, Guanshan Avenue, East Lake New Technology Development Zone, Wuhan, the PRC (武漢市東湖新技術開發區關山大道355號光谷新世界A座26層2611)	Morimatsu Pharmaceutical Equipment	235	16 January 2021 – 15 February 2023	Office
7	Office No. 507, Lodha Supremus II, Road No 22, Wagle Estate, Thane India (w)-400604	Pharmadule India	109	15 July 2017 – 14 July 2022	Office
8	Sicklaön 358:1, Hästholmsvägen 28, Nacka, Sweden	Pharmadule Sweden	385	1 April 2019 – 31 March 2024	Office
9	101 Morgan Lane, Plainsboro, NJ, U.S. 08536	Pharmadule US	136	1 February 2020 – 1 February 2022	Office
10	WeWork Ocean Gate Minatomirai 08-120,3-7-1 Minatomirai, Nishi-ku, Yokohama, Kanagawa, Japan	Morimatsu Japan	NA	Since 23 September 2020	Office

Except for leases No. 1 to No. 3 which we leased from Morimatsu Chemical Equipment, all the other premises are leased from Independent Third Parties. Please refer to the section headed "Connected Transaction" in this prospectus for further details.

Lease registration

As at the Latest Practicable Date, six of the above onshore lease agreements have not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect its validity and enforceability. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our operations and financial condition. However, we may be ordered by the relevant government authorities to register the lease agreements within a prescribed period, failing which we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement.

INSURANCE

We have taken out insurance covering risks in respect of our properties, production facilities, inventory and employer's liability. We also maintain insurance coverage for product liability to cover any potential claims due to accidental bodily injury to third parties and accidental loss of or damage to the property of third parties arising from the defects of our products. In addition, we maintain accident insurance for our personnel. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the premiums which we paid for our insurances were approximately RMB4.1 million, RMB4.2 million, RMB7.7 million and RMB6.8 million, respectively.

Our Directors consider our existing insurance coverage to be in line with industry practice and is generally sufficient for businesses of our scale and type. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. For our risks associated with lack of business insurance coverage, please refer to the section headed "Risk Factors – Risks relating to our Business – Our insurance coverage may not be sufficient to cover the risks associated with our business operations and we are subject to financial and reputational risks due to product quality and liability issues".

EMPLOYEES

As at the Latest Practicable Date, we had a total of 2,772, 13, 14, 8 and 2 employees in the PRC, Sweden, India, Japan and U.S., respectively. The number of our employees classified by function is as follows:

Function	Number of employees
Management and administrative	174
Research and development	323
Technical	281
Sales and marketing	110
Quality control	274
Procurement and manufacturing	1,589
Finance and accounting	58
Total	2,809

Recruitment and remuneration policy

We recruit our employees based on a number of factors, including but not limited to their experience in related industries, qualifications, education background and our operational needs. We enter into separate employment agreements with each of our employees in accordance with the applicable laws and regulations in the PRC, Japan, Sweden, India and U.S. We generally pay our employees a fixed salary, discretionary annual bonus and other allowances based on various factors including their respective responsibilities and performance in our Group. We conduct monthly to half year review on employee salary and promotion based on their respective performances. We have a labour union that is able to protect our employees' rights, assists us in attaining our economic objectives and encourages employees to participate in management decisions.

Training

We believe that our employees are valuable assets that are crucial to the growth and success of our Group. Our employees undergo training covering various aspects of our business operations, including work safety, sales and marketing, compliance with applicable laws and regulations, technical skills, management and production quality. These training

sessions are conducted by us from time to time when we deem necessary. In order to retain our talented employees, we sponsor our employees for training courses related to our industry provided by third-party universities in the PRC and overseas. Those employees who get our education sponsor are generally required to sign a contract with us to guarantee their further employment with us after they finish their studies.

Employee relationship

We believe that we have maintained a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labour disputes, work stoppages or labour strikes that led to disruptions in our operations.

Social insurance and housing provident fund contributions

Under the relevant PRC laws and regulations, we are required to contribute to a number of employee social welfare schemes in respect of our employees. Such schemes include social insurance contributions and housing provident fund contributions. Under the PRC's social insurance system, we are required to make contributions for our employees towards five categories of insurance, including the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. We are also required to make housing provident fund contributions for our urban employees. We have complied with the applicable labour laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

Our operations in the PRC are subject to environmental laws and regulations relating to hazardous substances, sewage and waste discharge and other environmental matters. For details of the PRC laws and regulations in relation to environmental matters applicable to our business operations in the PRC, please refer to the section headed "Regulatory Overview" in this prospectus.

We do not operate in a highly polluting industry and our production technologies and processes do not involve heavy pollution. However, we regard environmental protection as an important corporate responsibility and therefore place great emphasis on environmental protection measures and policies in our daily operations. We have established and implemented various internal control measures regarding environmental compliance and pollution controls, including: (i) engaging third-party authorised waste collectors to collect the liquid waste sample produced during our operations; and (ii) conducting environmental impact assessment and completing environmental approval procedures as required.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the cost of our compliance with the PRC environmental laws and regulations was approximately RMB1.0 million, RMB2.6 million, RMB1.1 million and RMB2.7 million, respectively.

During the Track Record Period, Morimatsu Chemical Equipment, which has ceased to be a subsidiary of our Group pursuant to the Demerger, was fined with a total amount of approximately RMB0.3 million in relation to the excessive discharge of waste water in two instances. We settled the fine and have adopted several rectification measures, such as (i) upgrading the production technology, especially the waste water treatment technique; (ii) enhancing the environmental protection awareness among our management team; (iii) reinforcing the environmental protection and safety management at our production bases, explicitly prohibiting the use of techniques which may be hazardous to the environment in the production and requiring all of our production facilities to comply with regulations regarding waste water discharge; and (iv) conducting inspection of the production process to ensure no occurrence of similar incidents. Based on the confirmation letter issued by the competent authority, confirming that the incidents did not have significant effect on environment and Morimatsu Chemical Equipment had duly paid the fine and implemented relevant corrective measures, our PRC Legal Advisers have advised that Morimatsu Chemical Equipment is unlikely to be subject to further fines for these non-compliance incidents. During the Track Record Period, our Group was involved in non-compliance of PRC laws and regulations in relation to environment protection. Please refer to the paragraph headed "— Regulatory Compliance" in this section for more details.

OCCUPATIONAL HEALTH, WORK SAFETY AND SOCIAL MATTERS

Our business operations are subject to certain PRC laws and regulations relating to occupational health and workplace safety. For details of the applicable occupational health and safety requirements and regulations, please refer to the section headed "Regulatory Overview" in this prospectus. We endeavour to provide a healthy and safe work environment for our employees. We have implemented safety guidelines with a view to promote occupational health and workplace safety and to ensure compliance with applicable laws and regulations. We provide trainings on occupational safety to our employees from time to time. We have implemented safety measures at our production bases to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of employees. We conduct periodic inspections of our production bases to ensure that our production operations are in compliance with applicable laws and regulations.

During the Track Record Period, we had 26 work-related accidents during our operations, which were immaterial and were caused by various reasons, such as (i) the relevant employees' failure to operate machinery and equipment in accordance with the safety manuals; (ii) the malfunctioning of equipment; and (iii) traffic accidents during work commuting. These accidents resulted in body injuries to the workers concerned, including injuries to fingers and feet and fractured bones. We paid a total of approximately RMB0.8 million compensation to the employees concerned in 24 work-related accidents, and we were under assessment of the compensation of the other two work-related accidents. The compensation of the other two work-related accidents is estimated to be approximately RMB0.2 million, which is immaterial to the financial performance of our Group in the view of our Directors. During the Track Record Period, none of our PRC subsidiaries had received any material fines or penalties in relation to any non-compliance of applicable laws and regulations related to occupational health. To improve our occupational safety environment and prevent similar workplace accidents, we have established enhanced internal control measures including: (i) adopting more stringent procedures in safety manuals and more

stringently implementing the policies of using machinery and equipment at work place; (ii) providing additional occupational safety and health trainings to new employees and enhanced safety and health trainings to existing employees; and (iii) regularly maintaining the machinery and equipment used in the course of the work. During the Track Record Period, our Group was involved in non-compliance of PRC laws and regulations in relation to work safety. Please refer to the paragraph headed "— Regulatory Compliance" in this section for further details.

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

There has been an outbreak of the novel coronavirus, COVID-19, since January 2020 across the PRC and around the world. Such outbreak of epidemic has endangered the health of many people residing in the PRC and around the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, government authorities in the PRC, Europe, India, U.S., and other countries have imposed various controls and restrictions, including travel restrictions and quarantine for travelers or returnees from affected regions, stay home orders, lock down measure, and shutting down certain business operations temporarily. Since January 2020, PRC governmental authorities have imposed controls and restrictions to contain the outbreak. For example, on 27 January 2020, the government of Shanghai and the government of Jiangsu Province both issued notices (the "**Notices**") to extend the Chinese New Year Holiday and postpone resumption of business operation in Shanghai and Jiangsu Province to the date not earlier than 9 February 2020. According to the Notices, we resumed our business operation in Shanghai and Jiangsu both on 10 February 2020.

According to F&S Report, the outbreak of COVID-19 is likely to only cause a short-term impact on China's macro economy mainly because: (i) Chinese government has implemented various policies to alleviate the impact of COVID-19 and a number of relevant macroeconomic indicators have showed signs of recovery since April 2020. For instance, China's nominal GDP in the first three quarters of 2020 recorded a growth by approximately 1.4% compared with the same period in 2019. Going forward, China's economy will be able to maintain a relatively stable development throughout 2020 and 2021; (ii) Chinese government has taken various incentive policies to stimulate the economy such as lowering taxes, increasing money supply and lowering interest rates; and (iii) as the number of confirmed cases of the COVID-19 in China have slowed down since March 2020 with the adoption of various measures including mandatory quarantine and travel restrictions, the outbreak of COVID-19 has been gradually under control since March 2020. The outbreak of COVID-19 has also resulted in the global near-term recession in early 2020. However, during May and June in 2020, as many economies tentatively reopened from the lockdown and released constraints on activities such as industrial production, the global economy started to rebound and the overall economic activities normalized gradually. Therefore, a recovery has taken root in the third quarter of 2020 and it is expected to strengthen gradually over 2021. According to the International Monetary Fund (IMF), global economic growth is projected at 5.2% in 2021.

Employees

Our production bases in Shanghai and Nantong resumed manufacturing on 10 February 2020. While around 1,101 of our employees in the PRC have resumed work on 10 February 2020, around 1,426 of our employees in the PRC were unavailable to resume duties due to quarantine restriction of COVID-19 or related travel restrictions. Most of our employees in the PRC were available to resume duties by the end of February 2020. Our employees located in India, Japan, Sweden and the U.S. were able to use remote system to work from home. We had not laid off any employees or cut off employees' wages due to COVID-19.

Customers, supplies and sub-contractors

We exported our products to overseas customers over 45 countries. For the nine months ended 30 September 2020, except for the suspension of two projects and the termination of two projects, respectively, none of our customers had suspended/terminated the cooperation with us due to the COVID-19. Set out below is the details of the suspension and termination of projects for the nine months ended 30 September 2020 due to the outbreak of COVID-19:

Project no.	Project description	Status	Contract value *(RMB'000)*	Amount received as at the Latest Practicable Date *(RMB'000)*	Costs incurred as at the Latest Practicable Date *(RMB'000)*	Reasons for suspension and termination
A	Traditional pressure equipment in mining and metallurgical industry	Suspended	76,700	32,975	8,678	We were notified by the customer in April 2020 to suspend the project located in Indonesia, as the construction personnel in Indonesia had been affected by the outbreak of COVID-19. The project has been resumed in January 2021.
B	Modular pressure equipment in mining and metallurgical industry	Suspended	44,310	2,632	112	We were notified in March 2020 by our customer who is the subcontractor of the project located in Argentina that the main contractor had notified it of the suspension of the project due to the global outbreak of COVID-19. As advised by our customer, the suspension of the project is anticipated to be extended possibly up to December 2021 with probable addition of six months until June 2022. Our customer is in communication with the main contractor regularly to determine the best course of action amid COVID-19.
C	Traditional pressure equipment in oil and gas industry	Terminated	17,106	1,190	539	We were notified by the customer in April 2020 to terminate the project in oil and gas industry located in the United States due to the global uncertainties.
D	Traditional pressure equipment in oil and gas industry	Terminated	2,163	–	–	We were notified by the customer in April 2020 to terminate the project in oil and gas industry located in the United States due to the decrease in oil price.

As at the Latest Practicable Date, save for project A which has been resumed in January 2021, none of the projects above had been resumed since its suspension or termination. We were not compensated by the relevant customers for the suspension or termination of projects. Nevertheless, as at the Latest Practicable Date, the amount received was more than the costs incurred from project A, project B, and project C, and we had not incurred any costs for project D. Save for the minimal storage expenses of consumables and materials, our Directors expected that we would not incur any additional costs for the above projects that were terminated or suspended and have not yet been resumed, and we are not expected to incur any additional liability if the suspended project (project B) is terminated eventually. Thus, our Directors confirmed that the termination or suspension of the above projects would not have a material adverse impact on the Group.

Our suppliers primarily include raw material suppliers and sub-contractors which are mainly located in the PRC. Due to the PRC authorities' steady and effective restrictions, the impact of COVID-19 mainly has limited impact on our suppliers for the nine months ended 30 September 2020. All of our top five suppliers for the Track Record Period have resumed work by mid-February 2020, and the local logistics gradually resumed operation by mid-February 2020. Thus, we did not experience significant shortage of inventories or delay in the delivery of supplies which materially adversely affected our operations for the nine months ended 30 September 2020.

Our production activities

There are limited impact of COVID-19 on our manufacturing activities in our Shanghai and Nantong production bases. Our Shanghai production base and Nantong production base were closed during the extended Chinese New Year holidays nationwide and up to 9 February 2020. Our employees in procurement and manufacturing department gradually resumed work on 10 February 2020 and most employees in procurement and manufacturing department were available to resume duties at the end of February 2020. Since the local logistics slowly resumed operation by mid-February, the COVID-19 has limited impact on our product delivery, and none of our projects have been delayed as a result of the closure of the logistic companies or the impact of the transportation due to the COVID-19. In addition, we adopted remote monitoring for on-site installation on customers' construction site, and offered remote inspection for customers to inspect pressure equipment on our site.

Our sales and marketing activities

Since February 2020 up to the Latest Practicable Date, to the best knowledge of our Directors, we are not aware of any potential projects that we have submitted tender or quotation is being aborted as a result of the outbreak of COVID-19. In addition, as a result of the travel restrictions and lockdown policies imposed by various governments as well as recommendation to minimise social activities to reduce transmission of COVID-19, since 10 February 2020, we had suspended face-to-face marketing activities in the PRC and the overseas markets such as face-to-face client meetings and site visits to get in touch with our potential customers and explore new business opportunities. Instead, we conducted marketing activities through alternative means such as phone calls, emails and video conferences.

However, after the effective control of the outbreak of COVID-19 to certain extent in the PRC, we have resumed our face-to-face client meetings since late March 2020 in the PRC. However, given that the COVID-19 pandemic is still severe overseas, we have not yet resumed our face-to-face marketing activities in overseas market. As such, the total expenses related to our overseas travel and marketing activities decreased from approximately RMB1.7 million for the six months ended 30 June 2019 to approximately RMB0.6 million for the six months ended 30 June 2020. Nonetheless, we have maintained communication with our overseas customers from time to time to acquire information about the latest developments in respect of their business and on-going requirements to explore business opportunities. While the new contract value of our overseas projects decreased from approximately RMB1,494.3 million in 2019 to approximately RMB988.7 million in 2020, we proactively secured more new contracts in the PRC in 2020 to mitigate the decrease in new contract value for overseas projects. As a result, the new contract value of our projects in the PRC increased from approximately RMB1,876.0 million in 2019 to approximately RMB2,510.9 million in 2020.

Moreover, there was a decrease in demand of our pre-sales services associated with pressure equipment, such as preparing preliminary proposal, due to the COVID-19 outbreak. However, our Directors are of the view the decreased demand of our pre-sales services would not have material impact on our business performance: (i) as pre-sales services are not the core parts in selling and marketing our projects. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the pre-sales services only accounted for approximately 3.6%, 15.6%, 9.7% and 6.7% of our selling and marketing expenses, respectively; and (ii) as an alternative, we adopted remote production base tour via video conference software which enables our customers to have an overall idea of our production process.

Impact of COVID-19 on our financial performance

We are of the view that the COVID-19 outbreak presents limited challenges to our business and financial conditions. Due to the lockdown measures adopted by various governments in the countries where we operate, two of our projects were suspended and two of our projects were terminated, and the completion or progress of nine projects were delayed, details of which are set out below:

Project no.	Contract value *(RMB'000)*	Status	Contracted Completion Date	Expected Completion Date	Expected Duration of Delay	Revenue Recognised as at 30 September 2020 *(RMB'000)*
E	55,347	In production, 12 units have already been delivered	December 2020	January - May 2021[(1)]	1-5 months[(1)]	–
F	3,496	Completed	December 2020	Completed in December 2020	–	–

Project no.	Contract value *(RMB'000)*	Status	Contracted Completion Date	Expected Completion Date	Expected Duration of Delay	Revenue Recognised as at 30 September 2020 *(RMB'000)*
G	46,100	Production completed, pending delivery	May 2020	August 2021	15 months	18,043
H	8,276	In production, pending final testing	October 2020	February 2021	4 months	14
I(2)	19,459	In production	December 2020	August 2022	20 months	–
	51,969	In production	February 2021	August 2022	18 months	–
J	161,462	Testing stage (Site Acceptance Test)	December 2020	June 2021	6 months	149,531
K	181,358	Production completed, pending customer acceptance and settlement	November 2019	May 2021	18 months	63,542
L	20,878	Production completed, pending customer acceptance and settlement	November 2019	August 2021	21 months	8,611
M	18,665	Completed	May 2020	Completed in December 2020	7 months	–

Notes:

(1) Apart from one unit due to be delivered in May 2021, all other units are expected to be complete by March 2021.

(2) Project I is comprised of two contracts.

As at the Latest Practicable Date, among the nine projects which were expected to be delayed, save for one project which was completed on time due to our effort to work overtime to deliver products in timely manner, all of the other eight projects were estimated to be delayed for a period ranging from approximately one month to 21 months. Considering (i) the delay of the eight projects were due to the outbreak of COVID-19, which was an unforeseeable event beyond control of both parties; (ii) the Group had negotiated with customers about the delay of the eight projects in good faith and reset a reasonable delivery date, and none of the customers requested the Group to compensate them for the delay of the eight projects; and (iii) our Directors believed the expected delay of the eight projects due to COVID-19 would not jeopardize our relationship with those customers, our Directors are of the view that the expected delay of the eight projects due to COVID-19 would not have a material impact on the Group.

In addition, our Group has incurred an additional costs of approximately RMB0.5 million since 21 January 2020 up to the Latest Practicable Date due to the heightened hygiene and preventive measures undertaken by our Group as elaborated below. Please refer to the paragraph headed "— Impact of Outbreak of COVID-19 on Our Operations — Our contingency plan" in this section for details. Nonetheless, for the nine months ended 30 September 2020, our revenue from Continuing Operations only slightly decreased by approximately 4.1% from approximately RMB2,100.4 million for the nine months ended 30 September 2019 to approximately RMB2,014.0 million for the nine months ended 30 September 2020. Our profit from Continuing Operations for the nine months ended 30 September 2020 increased by approximately RMB92.1 million, or 71.3%, from approximately RMB129.1 million for the nine months ended 30 September 2019 to approximately RMB221.2 million for the nine months ended 30 September 2020. Turnover days of trade debtors, bills receivable and contract assets decreased from 100 days for the year ended 31 December 2019 to 90 days for the nine months ended 30 September 2020. Additionally, our payment of social insurance contribution had been reduced by approximately RMB29.1 million for the nine months ended 30 September 2020 under the social insurance exemptions granted by local government authorities mainly in Nantong and Shanghai for mitigating the negative impacts of COVID-19. Moreover, we do not foresee any difficulties in fulfilling the covenants or obligations under our bank and other borrowings. As such, taking into account (i) the increase in our profit from Continuing Operations for the nine months ended 30 September 2020 compared with the nine months ended 30 September 2019; (ii) we are in progress of completing the ongoing eight projects subject to certain delays due to the outbreak of COVID-19; (iii) our business operations resumed normal after the various lockdown measures and quarantine restriction in the PRC, Japan, Sweden, and U.S. were relaxed; and (iv) the economic activities in various countries have gradually regained momentum as the outbreak of COVID-19 is more contained, our Directors are of the view the outbreak of COVID-19 did not have material adverse impact on our business and financial condition as at the Latest Practicable Date. However, when and whether COVID-19 could be contained remains uncertain. We cannot guarantee that the outbreak of COVID-19 will not further escalate, which in turn may have a material adverse effect on our business operations. Please refer to the section headed "Risk Factors — We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, we could be materially and adversely affected by the COVID-19 spread globally" for further details.

Our contingency plan

In the unlikely event that we are forced to completely suspend our business operations due to the outbreak of COVID-19, whether due to government policy or any other reasons beyond our control, taking into account (i) approximately RMB50.0 million, or 8.1% of the net proceeds from the Global Offering which is allocated for working capital and general corporate purposes (assuming an Offer Price of HK$3.20, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised); and (ii) our cash and cash equivalent of approximately RMB451.8 million as at 30 September 2020; and based on the key assumptions that (i) our operations have been completely suspended since 1 October 2020; (ii) we will not generate any revenue due to the suspension of business; (iii)

fixed operation costs such as rental expenses (including utilities expenses) will be paid in connection with the leased premises; (iv) all staff will be paid based on the minimum salary standards set up by the local government authorities; (v) our expansion plan will be suspended; (vi) there will be no further internal or external financing from Shareholders or financial institutions; (vii) no further dividend will be declared and paid; (viii) repayment of bank borrowings will be made for the principal and related interests according to the repayment schedule; (ix) the trade and other payables as at 30 September 2020 will be settled when they are due; and (x) trade receivables will be settled based on the historical settlement pattern and prudential estimates, our Directors estimate that we will be financially viable for no less than ten months. The abovementioned extreme situation may or may not occur and the abovementioned analysis is for illustrative purpose only. Our Directors currently assess that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, therefore it is a possibility that such impact to our Group may be out of our Director's control and beyond our estimation and assessment.

Nevertheless, as a leading pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC, we will take prudent steps to ensure the business continuity of our Group despite the ongoing health and financial crises. We will also continue to work closely with our customers to ensure that the impact of any incidents experienced due to unforeseen circumstances is minimised to its fullest extent and implement our business contingency plans. In light of the foregoing, our Group has implemented several business contingency plans to help us manage the outbreak of COVID-19 and reduce the possibility of any project suspensions and/or cancellations or supply chain disruptions due to COVID-19, which include the following:

- offering remote production base tour via video conference software which enables our customers to have an overall idea of our production process;

- adopting remote monitoring for on-site installation on customers' construction site, and offering remote inspection for customers to inspect pressure equipment on our site;

- ensuring adequate back up facilities, mobile computing/communication devices and network bandwidth for remote working arrangements;

- making arrangements with our overseas subsidiaries to allow the overseas offices to cover the business activities of each other, if and when required; and

- checking with critical suppliers and subcontractors to make sure that their contingency plan is adequate in face of COVID-19.

We have also implemented stringent measures to prevent COVID-19 infections in our work places from time to time. These measures include:

- requiring employees returned from key epidemic areas to have quarantine at home or the places designated by the government;

- measuring the temperature of all employees before they enter into working areas to ensure no employees with COVID-19 symptoms are working in our offices and production bases;
- requiring employees to wear sanitary masks when they board internal shuttle buses;
- providing disinfecting products including sanitizer and alcohol disinfectant to employees for their personal hygiene;
- regularly cleaning and disinfecting the work place and other public areas such as cafeterias and rest area;
- requesting new employees to have nucleic acid test for COVID-19.

INTRA-GROUP TRANSACTIONS

During the Track Record Period, our Group engaged in a number of intra-group transactions in different jurisdictions worldwide. The following table sets forth the types of our intra-group transaction:

Our Group's main related-party transactions include the following:

No.	Company name	Country/region	Principal business	Transaction type
1	Morimatsu China	Mainland China	Investment holding.	1) Transfer of ownership of tangible assets; 2) Service transactions; 3) Transfer of use rights of tangible assets; 4) Financing.
2	Morimatsu Heavy Industry	Mainland China	Development, design, production and installation of pressure equipment mainly in chemical, oil and gas, mining and metallurgical and electronic chemical industry.	1) Transfer of ownership of tangible assets; 2) Service transactions; 3) Transfer of use rights of tangible assets; 4) Financing; 5) Transfer of ownership of intangible assets.

No.	Company name	Country/region	Principal business	Transaction type
3	Morimatsu Pharmaceutical Equipment	Mainland China	Development, design, production and installation of pressure equipment mainly in pharmaceutical and personal care chemical industry.	1) Transfer of ownership of tangible assets; 2) Service transactions; 3) Transfer of use rights of tangible assets; 4) Financing; 5) Transfer of ownership of intangible assets.
4	Morimatsu International Holdings Company Limited (the "**Company**")	Hong Kong (SAR of China)	Investment holding.	1) Service transactions.
5	Morimatsu Investment HK	Hong Kong (SAR of China)	Trading.	1) Financing.
6	Pharmadule Sweden	Sweden	Design and engineering of modular manufacturing facilities for the pharmaceutical, biopharmaceutical and fast- moving consumer goods industries.	1) Transfer of ownership of tangible assets; 2) Service transactions; 3) Financing.
7	Pharmadule US	US	Provision of customer service, sales assistance, procurement assistance, etc. for pharmaceutical equipment.	1) Transfer of ownership of tangible assets; 2) Service transactions.
8	Pharmadule India	India	Purchase of materials and design of pressure equipment.	1) Transfer of ownership of tangible assets; 2) Service transactions.

Transfer Pricing Assessment

The Organization for Economic Co-operation and Development (the "**OECD**"), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**").

According to the OECD Transfer Pricing Guidelines, our intra-group transactions should be at arm's length basis to avoid distorted taxable income in different jurisdictions. The arm's length principle is respected by all tax jurisdictions of our subsidiaries, including Mainland China, Sweden, the United States, Hong Kong (SAR of China) and India.

In order to ensure compliance with the relevant transfer pricing regulations, we have engaged an independent transfer pricing consultant, KPMG Advisory (China) Limited, (the "Transfer Pricing Consultant"), an international professional accounting firm in the PRC, to conduct benchmarking studies against the identified related-party transactions to be tested (the "covered transactions") during the Track Record Period in accordance with the China's transfer pricing regulations and the OECD Transfer Pricing Guideline, which primarily identified the arm's length pricing and/or profit range for related-party transactions.

The covered transactions, which may have the potential tax impact from China's transfer pricing regulations, were identified as below:

1) Transactions that shall be covered:

   - Cross-border transactions (i.e. intra-group transactions between Chinese enterprises and enterprises in other tax jurisdictions);

   - Transactions between related parties in China which are subject to different statutory corporate tax rates; or transactions between related parties in China which are subject to the same statutory corporate tax rates but with varying actual corporate tax rates due to carry-forward losses.

2) Transactions that can be excluded:

   - Intra-group transactions between Chinese enterprises which are subject to the same corporate tax rates;

   - Transactions between overseas related parties, which fall below the materiality for IPO audit purposes.

The types of intra-group transactions during the Track Record Period include: 1) Transfer of ownership of tangible assets; 2) Service transactions; 3) Transfer of use rights of tangible assets; 4) Financing; 5) Transfer of ownership of intangible assets. The Transfer Pricing Consultant excluded the "financing" and "transfer of ownership of intangible assets" transactions in tested transactions by considering the immaterial nature (only accounted for 1.34% of the covered transactions) of the underlying transactions and the difficulty of preparing a separate profit and loss account for these transactions.

Since the proportion of covered transactions (excluding financing and transfer of ownership of intangible assets) of Pharmadule Sweden, Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry to the total volume of covered transactions (excluding financing and transfer of ownership of intangible assets) was approximately 98%, the Transfer Pricing Consultant performed the functional risk analysis on Pharmadule Sweden, Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry. Based on the functional risk analysis, Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry were selected as the Tested Parties, and the transactional net margin method (the "TNMM") was adopted to assess the reasonableness of the tested transactions. Under the TNMM, Full cost mark-up (the "FCMU") was selected as the profit level indicator to measure the profit level of the Tested Parties.

Under the TNMM method supported by using benchmarking study, a range of reasonable profit level was derived from comparable companies (the "Comparable Profit Level Range"). The Comparable Profit Level Range determined through the benchmarking study followed the OECD Transfer Pricing Guidelines and can be regarded as an arm's length profit level range.

The table below shows the Comparable Profit Level Range and FCMU of Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry.

Tested party	Lower quartile	Median	Upper quartile	Weighted average FCMU from 2017 to 2019
Morimatsu Pharmaceutical	3.50%	9.60%	11.31%	10.79%
Morimatsu Heavy Industry	1.26%	7.43%	10.23%	7.53%

The Transfer Pricing Consultant has performed benchmarking studies for the covered transactions and is of the opinion that the profit level of Tested Parties is within the Comparable Profit Level Range, which can be regarded as the arm's length profit range for the covered transactions in accordance with China's transfer pricing regulations and OECD Transfer Pricing Guidelines. Based on the above-mentioned analysis, we believe that the prices and profit levels of covered transactions were in line with the arm's length principle or at fair value from the perspectives of China's transfer pricing regulations and OECD Transfer Pricing Guidelines.

Meanwhile, our transfer pricing arrangements have not been challenged or investigated by any relevant tax authority during the Track Record Period and up to the Latest Practicable Date.

We believe that above reflects reasonable interpretations of China's transfer pricing regulations and the OECD Transfer Pricing Guidelines, which is not binding on any tax authority. Consequently, the above should not be taken as an assurance that any tax authority will agree with or that we would prevail against a potential transfer pricing challenge.

REGULATORY COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, there was no non-compliance incident which had a material adverse effect on our financial condition or results of operations, and we have complied with all applicable laws and regulations in the relevant jurisdictions where we operate in all material respects during the Track Record Period and up to the Latest Practicable Date.

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
1.	***As regards environmental protection under applicable PRC laws*** *Morimatsu Heavy Industry* Morimatsu Heavy Industry had failed to obtain environmental impact assessment approval and complete the environmental acceptance check for the construction of the facilities of slide processing workshop (approximately 1,820 sq.m.) (the "**Slide Processing Workshop**") at our Nantong production base before the Slide Processing Workshop was put into operation in June 2017. Such non-compliance was primarily due to the fact that the head of health, safety and environment team responsible for handling such matter at the relevant time did not have a comprehensive understanding of the relevant regulatory requirements as he misunderstood that the Slide Processing Workshop was part of a project which had already obtained environmental impact assessment approval and completed the environmental acceptance check. The Directors only became aware of the non-compliances when we engaged our PRC Legal Advisers to review the legal compliance of our Group in preparation for the Listing and were advised by our PRC Legal Advisers of such non-compliance.	According to Regulation on the Administration of Environmental Protection for Construction Project (Amendment 2017) (《建設項目環境保護管理條例 (2017)年修訂》) and relevant laws and regulations, the relevant government authority may impose (i) a correction order requiring an entity to undertake rectification measures within a prescribed time; and (ii) a fine of no less than RMB200,000 and not exceeding RMB1 million. For entities that fail to make corrections within the prescribed time, a fine of no less than RMB1 million and not exceeding RMB2 million could be imposed. If the non-compliance causes major environmental pollution or ecological damage, the entity shall be ordered to stop production, or be reported to the authorised people's government and ordered to close down. The Directors undertake that we will make rectification within the prescribed period upon demand, and therefore the aggregate amount of potential maximum monetary penalty with respect to the environmental non-compliance incident on Morimatsu Heavy Industry and Morimatsu Pharmaceutical Equipment Zhuqiao Branch would be approximately RMB1 million and RMB1 million, respectively.	*Morimatsu Heavy Industry* According to the environmental monitoring report issued by an Independent Third Party (which obtained the qualification of China Inspection Body and Laboratory Mandatory Approval（檢驗檢測機構資質認定）issued by the Quality and Techniques Supervision Bureau of Jiangsu Province (江蘇省質量技術監督局)), in April 2017, April 2018, November 2019, May 2020 and July 2020, during the Track Record Period, there was no material environmental pollution or ecological damage arising from the operations of the Slide Processing Workshop. Moreover, our Directors confirm that we had not received any notice nor been subject to any administrative penalty from competent authorities with respect to the failure of Morimatsu Heavy Industry to obtain the environmental impact assessment approval and complete the environmental acceptance check for the construction of the Slide Processing Workshop under applicable PRC laws. Morimatsu Heavy Industry has completed the rectification actions of finishing the environmental impact registration form and environmental acceptance check for the Slide Processing Workshop in December 2020 and January 2021 respectively. Save for the Slide Processing Workshop, Morimatsu Heavy Industry has obtained environmental impact assessment approval and completed environmental acceptance check for all the other completed production projects and facilities (over 80,000 sq.m.) at our production bases in Nantong according to the applicable PRC laws. We had obtained a written confirmation dated 7 August 2020 from the Environment Bureau of Rugao in Nantong (南通市如皋生態環境局) ("**Rugao Environmental Bureau**"), which confirmed that Morimatsu Heavy Industry had not been imposed any administrative penalty relating to environmental non-compliance incidents for the period from 1 January 2017 to 7 August 2020. As advised by our PRC Legal Advisers, the Rugao Environmental Bureau is the competent authority to issue the above confirmation.	In order to prevent the recurrence of non-compliance incidents, we have implemented the enhanced internal control measures as at the Latest Practicable Date including: (i) we will provide trainings on the relevant environmental protection requirements relating to construction of any new and extension of our production facility to our staff in charge with the assistance of our PRC legal advisers; (ii) we will consult our PRC legal advisers to understand the relevant laws and regulations and seek the confirmation from our PRC legal advisers before any construction work and commencement of production;

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
			According to the applicable PRC environmental protection laws, rules and regulations, for failure to obtain environmental protection assessment approval, no administrative penalty shall be imposed after two years from completion of construction. As at the Latest Practicable Date, the construction of the facilities of the Slide Processing Workshop had been completed for over two years. Based on the above, our PRC Legal Advisers have advised that Morimatsu Heavy Industry is unlikely to be penalised for causing material environmental pollution or ecological damage as a result of the non-compliance incident.	
	Morimatsu Pharmaceutical Equipment Zhuqiao Branch of Morimatsu Pharmaceutical Equipment ("**Morimatsu Pharmaceutical Equipment Zhuqiao Branch**") had failed to complete the environmental acceptance check for the construction of piping (管道), tanks (容器), equipment (成套設備) facilities (the "**Zhuqiao Branch Production Facilities**") at our Shanghai production base before the Zhuqiao Branch Production Facilities were put into operation in February 2014. Morimatsu Pharmaceutical Equipment Zhuqiao Branch had tried to apply for passing the environmental acceptance check in 2015. However, given Morimatsu Pharmaceutical Equipment Zhuqiao Branch was located in the Zhuqiao Airport Industrial Zone where approval for the implementation of new projects, reconstruction and expansion of existing projects, and follow-up approvals (including environmental protection, fire safety, etc.) of existing projects cannot actually be processed by the competent authority, its application for passing the environmental acceptable check could not be processed by the relevant authorities according to the Zhuqiao Town Development Policies (as defined below).		*Morimatsu Pharmaceutical Equipment* As confirmed by Morimatsu Pharmaceutical Equipment Zhuqiao Branch and Morimatsu Chemical Equipment, Morimatsu Pharmaceutical Equipment Zhuqiao Branch leased the properties from Morimatsu Chemical Equipment and used the environmental protection facilities provided by Morimatsu Chemical Equipment. According to the environmental monitoring report issued by an Independent Third Party (which obtained the qualification of China Inspection Body and Laboratory Mandatory Approval（檢驗檢測機構資質認定）issued by Market Supervision Bureau of Shanghai (上海市市場監督管理局)) in July 2017, July 2018, July 2019 and July 2020, during the Track Record Period, there was no material environmental pollution or ecological damage arising from the operations of Morimatsu Chemical Equipment. Moreover, our Directors confirm that we had not received any notice nor been subject to any administrative penalty from competent authorities with respect to the failure of Morimatsu Pharmaceutical Equipment Zhuqiao Branch to complete the environmental acceptance check for the construction of the Zhuqiao Branch Production Facilities under applicable PRC laws. The Zhuqiao Branch Production Facilities are located at the properties that Morimatsu Pharmaceutical Equipment Zhuqiao Branch leased from Morimatsu Chemical Equipment. Morimatsu Chemical Equipment's construction projects have already obtained the environmental impact assessment approval, completed environmental acceptance check and obtained the pollutant discharge permit. Also, we had obtained a written confirmation dated 27 July 2020 from Ecological Environment Enforcement Detachment of Shanghai Pudong New Area Urban Management and Law Enforcement Bureau (上海市浦東新區城市管理行政執法局生態環境執法支隊) ("**Pudong Environment Enforcement Detachment**"), which confirmed that save as disclosed in this sub-section headed "Regulatory Compliance" in this section, it was not aware that Morimatsu Chemical Equipment has any environmental non-compliance incident, nor has it violated any environmental laws, or been imposed of any administrative penalty, or been investigated by any competent authority for violation of the relevant environmental laws. As advised by our PRC Legal Advisers, Pudong Environment Enforcement Detachment is the competent authority to issue the above confirmation.	(iii) we will maintain a checklist stipulating the necessary requirements for obtaining the relevant licences, permits, examination and approvals, particularly in respect of environmental protection requirements, and such checklist will be updated from time to time in accordance with the latest applicable PRC laws, and inspected by three different teams of the Group, to ensure that the construction works of any new and extension of our production facility will comply with the relevant PRC laws and regulations; and (iv) a person in charge will be assigned to ensure the implementation of the items in the checklist, which would be reviewed by a supervisor.

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
			As confirmed by Shanghai Pudong New Area Zhuqiao Town Investment Attraction Service Center (上海浦東新區祝橋鎮招商服務中心) ("**Zhuqiao Investment Attraction Service Center**") on 14 September 2020, according to the Zhuqiao Town Development Plan and the policy to construct aviation zone in Zhuqiao Town regulated by the People's Government of Shanghai Pudong New Area (the "**Zhuqiao Town Development Policies**"), Morimatsu Pharmaceutical Equipment Zhuqiao Branch's application for passing the environmental acceptable check for the Zhuqiao Branch Production Facilities could not be processed as the Zhuqiao Branch Production Facilities were located in the Zhuqiao Airport Industrial Zone where approval for the implementation of new projects, reconstruction and expansion of existing projects, and follow-up approvals (including environmental protection, fire safety, etc.) of existing projects cannot actually be processed by the competent authority. As disclosed in the sub-section headed "Business Strategies" of this section, one of our strategies is to enhance our production capacity of our Nantong production base. As confirmed by the Zhuqiao Investment Attraction Service Center, approval for the implementation of construction of new production facilities, reconstruction and expansion of existing production facilities, and follow-up approvals (including environmental protection, safety production, fire safety, etc.) of existing production facilities that were located in the Zhuqiao Airport Industrial Zone would no longer be processed. Therefore, Morimatsu Pharmaceutical Equipment has established a Nantong Branch ("**Morimatsu Pharmaceutical Equipment Nantong Branch**") and we plan to gradually transfer the manufacturing operations of Morimatsu Pharmaceutical Equipment Zhuqiao Branch to Morimatsu Pharmaceutical Equipment Nantong Branch at our Nantong production base in phases. The first phase of the transfer will commence in the third quarter of 2023. For details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus. Morimatsu Pharmaceutical Equipment Nantong Branch has already obtained the environmental impact assessment approval and completed the acceptance check for its production facilities at our Nantong production base. Based on the above, our PRC Legal Advisers have advised that Morimatsu Pharmaceutical Equipment Zhuqiao Branch is unlikely to be penalised for causing material environmental pollution or ecological damage as a result of the non-compliance incident.	

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
2.	***As regards fire safety under applicable PRC laws*** Morimatsu Pharmaceutical Equipment Zhuqiao Branch had failed to complete the fire control design examination/filing before commencement of the construction of the Zhuqiao Branch Production Facilities, and failed to complete the acceptance checks before the Zhuqiao Branch Production Facilities were put into operation in March 2012 (the "**Fire Control Non-compliance Incidents**"). Such non-compliance was primarily due to the fact that the head of health, safety and environment team responsible for handling such matter at the relevant time did not have a comprehensive understanding of the relevant regulatory requirements and misunderstood that Morimatsu Pharmaceutical Equipment Zhuqiao Branch was not required to complete the fire control design examination/filing for the Zhuqiao Branch Production Facilities as Morimatsu Chemical Equipment, the lessor of Morimatsu Pharmaceutical Equipment Zhuqiao Branch, had completed the fire control design examination/filing. The existing Directors only became aware of the non-compliances when we engaged our PRC Legal Advisers to review the legal compliance of our Group in preparation for the Listing and were advised by our PRC Legal Advisers of such non-compliance.	Pursuant to Fire Control Law of PRC (消防法) and relevant laws and regulations, any entity which commences a construction project without completing the relevant fire control design examination, if required by law, or puts a construction project into operation without completing the acceptance check may be ordered to cease construction, use or production and operation, and a fine of no less than RMB30,000 and not exceeding RMB300,000 could be imposed; for other construction projects, an order to make correction and a fine less than RMB5,000 may be imposed. Therefore, the aggregate amount of potential maximum monetary penalty with respect to the Fire Control Non-compliance Incidents would be approximately RMB300,000.	Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, (i) we had not received any notice nor been subject to any administrative penalty from competent authorities in relation to the Fire Control Non-compliance Incidents; and (ii) Morimatsu Pharmaceutical Equipment Zhuqiao Branch had not been ordered to cease construction, use, production and operation. As confirmed by Shanghai Pudong New Area Fire Rescue Detachment (上海市浦東新區消防救援支隊) ("**Pudong Fire Rescue Detachment**") on 13 September 2020, Morimatsu Pharmaceutical Equipment and its Zhuqiao Branch had not been imposed of any administrative penalty for violation of the fire safety laws during the Track Record Period and up to the date of consultation. As advised by our PRC Legal Advisers, the Pudong Fire Rescue Detachment is the competent authority to provide the above confirmation. Moreover, as confirmed by Zhuqiao Investment Attraction Service Center on 14 September 2020, according to the Zhuqiao Town Development Policies, Morimatsu Pharmaceutical Equipment Zhuqiao Branch's application for the fire control design examination/filing and acceptance checks for the Zhuqiao Branch Production Facilities could not be processed as the Zhuqiao Branch Production Facilities were located in the Zhuqiao Airport Industrial Zone where approval for the implementation of new projects, reconstruction and expansion of existing projects, and follow-up approvals (including environmental protection, fire safety, etc.) of existing projects cannot actually be processed by the competent authority. As mentioned above, we have established Morimatsu Pharmaceutical Equipment Nantong Branch and plan to gradually transfer the manufacturing operations of Morimatsu Pharmaceutical Equipment Zhuqiao Branch to Morimatsu Pharmaceutical Equipment Nantong Branch at our Nantong production base in phases. For details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus. Based on the above, our PRC Legal Advisers have advised that Morimatsu Pharmaceutical Equipment Zhuqiao Branch is unlikely to be ordered to cease construction, use, production or business operation under relevant PRC laws as a result of the non-compliance incident.	In order to prevent the recurrence of non-compliance incidents, we have implemented the enhanced internal control measures as at the Latest Practicable Date including: (i) we will provide trainings on the relevant fire safety requirements relating to construction of any new and extension of our production facility to our staff in charge, with the assistance of our PRC legal advisers; (ii) we will consult our PRC legal advisers to understand the relevant laws and regulations and seek the confirmation from our PRC legal advisers before any construction work and commencement of production; (iii) we will maintain a checklist stipulating the necessary requirements for obtaining the relevant licences, permits, examination and approvals, particularly in respect of fire safety, and such checklist will be updated from time to time in accordance with the latest applicable PRC laws, and inspected by three different teams of the Group, to ensure that the construction works of any new and extension of our production facility will comply with the relevant PRC laws and regulations; and (iv) a person in charge will be assigned to ensure the implementation of the items in the checklist, which would be reviewed by a supervisor.

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
			Our Directors are of the view, and the Sole Sponsor concurs, that in the unlikely event that Morimatsu Pharmaceutical Equipment Zhuqiao Branch was ordered to cease operations as a result of the Fire Control Non-compliance Incidents, our Group's business operations will not be materially adversely affected having considered the following: (i) in the event that the operations of the Zhuqiao Branch Production Facilities have to be suspended, we could allocate five existing workshops (including four new workshops that commenced production in end of 2020) in our Nantong production base to compensate for the loss of production area at the Zhuqiao Branch Production Facilities as temporary measures; (ii) our floor space in Nantong production base is adaptable for manufacturing all kinds of pressure equipment in different industries, and it is not difficult to transfer the machinery and equipment from Morimatsu Pharmaceutical Equipment Zhuqiao Branch to our Nantong production base; and (iii) as mentioned above, in the long run, we plan to gradually transfer the manufacturing operations of Morimatsu Pharmaceutical Equipment Zhuqiao Branch to Morimatsu Pharmaceutical Equipment Nantong Branch at our Nantong production base given approval for the implementation of construction of new production facilities, reconstruction and expansion of existing production facilities, and follow-up approvals of existing production facilities that were located in the Zhuqiao Airport Industrial Zone would no longer be processed. In addition, it is our business strategy to expand the production capacity at our Nantong production base, details of which are disclosed in the section headed "Future Plans and Use of Proceeds - Use of Proceeds" in this prospectus.	

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
3.	***As regards work safety protection under PRC laws*** *Morimatsu Heavy Industry* Morimatsu Heavy Industry had not conducted one or more of the following work safety steps as required under PRC laws in respect of several facilities at our Nantong production base in 2008, 2010 and 2014-2017, respectively, ("**Heavy Industry Work Safety Incident**"): a) the design of safety facilities has not been examined with written report or the examination of the design of safety facilities has not been filed to competent authority; b) the project was put into operations without passing the completion acceptance check with written report nor filing to competent authority. Such non-compliance was primarily due to the misunderstanding of the interpretation of the relevant laws and regulations by our head of health, safety and environmental department responsible for handling such matter at the relevant time as he was unfamiliar with the relevant laws and regulations in the PRC, and thus did not have a comprehensive understanding of the relevant regulatory requirements. The existing Directors only became aware of the non-compliances when we engaged our PRC Legal Advisers to review the legal compliance of our Group in preparation for the Listing and were advised by our PRC Legal Advisers of such non-compliance.	According to the Supervision and Administration Rules of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》) of the PRC ("**Three Simultaneities**") and relevant laws and regulations, the relevant government authority may impose (i) a correction order requiring an entity to undertake rectification measures within a prescribed time; and (ii) a fine of no less than RMB5,000 and not exceeding RMB30,000. Therefore, the aggregate monetary amount of potential maximum penalty with respect to the Heavy Industry Work Safety Incident and Pharmaceutical Equipment Work Safety Incident would be approximately RMB120,000 and RMB30,000, respectively.	*Morimatsu Heavy Industry* Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, (i) we had not received any notice nor been subject to any administrative penalty from competent authorities in relation to the Heavy Industry Work Safety Incident; and (ii) there were no material work safety incidents occurred during the operations of Morimatsu Heavy Industry. In addition, on 6 August 2020, Rugao City Changjiang Town Administration of Work Safety (如皋市長江鎮安全生產監督管理局) ("**Rugao Administration of Work Safety**") confirmed that if no material work safety incidents had occurred during the operations of Morimatsu Heavy Industry, no actions would be taken against Morimatsu Heavy Industry. As advised by our PRC Legal Advisers, the Rugao Administration of Work Safety is the competent authority to provide the above confirmation. Moreover, Morimatsu Heavy Industry has completed the rectification actions of completing consolidated analysis of safety condition and facilities, the examination of the design of safety facility, and the safety facility completion acceptance check, along with their written report respectively by end of 2020. Based on the above, our PRC Legal Advisers have advised that as Morimatsu Heavy Industry has completed the rectification actions of completing consolidated analysis of safety condition and facilities, the examination of the design of safety facility, and the safety facility completion acceptance check, along with their written report respectively, Morimatsu Heavy Industry is unlikely to be penalised for Heavy Industry Work Safety Incident under relevant PRC laws.	In order to prevent the recurrence of non-compliance incidents, we have implemented the enhanced internal control measures as at the Latest Practicable Date including: (i) we will provide trainings on the relevant work safety requirements relating to construction of any new and extension of our production facility to our staff in charge, with the assistance of our PRC legal advisers; (ii) we have set up an infrastructure team for each project, and a person in charge will be assigned to each project to ensure we comply with each of the work safety steps in the project; (iii) we will consult our PRC legal advisers to understand the relevant laws and regulations and seek the confirmation from our PRC legal advisers before any construction work and commencement of production;

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
				(iv) we will maintain a checklist stipulating the necessary requirements for obtaining the relevant licences, permits, examination and approvals, particularly in respect of work safety, and such checklist will be inspected by three different teams of the Group, to ensure that the construction works of any new and extension of our production facility will comply with the relevant PRC laws and regulations; and (v) we have formed an internal control team which will from time to time inspect every working safety step of a project to ensure compliance with Three Simultaneities and other necessary working safety requirements.

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
	Morimatsu Pharmaceutical Equipment Morimatsu Pharmaceutical Equipment Zhuqiao Branch had not conducted one or more of the following work safety steps as required under PRC laws in respect of the Zhuqiao Branch Production Facilities at our Shanghai production base in March 2012 ("**Pharmaceutical Equipment Work Safety Incident**"): a) the design of safety facilities has not been examined with written report or the examination of the design of safety facilities has not been filed to competent authority; b) the project was put into operations without passing acceptance check with written report nor filing to competent authority. Such non-compliance was primarily due to the fact that the head of health, safety and environment team responsible for handling such matter at the relevant time did not have a comprehensive understanding of the relevant regulatory requirements and misunderstood that Morimatsu Pharmaceutical Equipment Zhuqiao Branch was not required to complete requisite work safety steps for the Zhuqiao Branch Production Facilities as Morimatsu Chemical Equipment, the lessor of Morimatsu Pharmaceutical Equipment Zhuqiao Branch, had completed requisite work safety steps under the relevant PRC laws. The existing Directors only became aware of the non-compliances when we engaged our PRC Legal Advisers to review the legal compliance of our Group in preparation for the Listing and were advised by our PRC Legal Advisers of such non-compliance.		*Morimatsu Pharmaceutical Equipment* Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, (i) we had not received any notice nor been subject to any administrative penalty from competent authorities in relation to the Pharmaceutical Equipment Work Safety Incident; and (ii) there were no material work safety incidents occurred during the operations of Morimatsu Pharmaceutical Equipment Zhuqiao Branch. In addition, we had obtained a written confirmation dated 9 September 2020 from Shanghai Pudong New Area Emergency Management Bureau (上海市浦東新區應急管理局) ("**Pudong Emergency Management Bureau**"), which confirmed that Morimatsu Pharmaceutical Equipment Zhuqiao Branch has not experienced any work safety incidents, and has not been imposed of any administrative penalties due to violation of work safety protection rules and regulations by the relevant authorities during the Track Record Period up to the date of confirmation. As advised by our PRC Legal Advisers, the Pudong Emergency Management Bureau is the competent authority to issue the above confirmation. Morimatsu Pharmaceutical Equipment Zhuqiao Branch became aware that (i) the Three Simultaneities have been amended and Morimatsu Pharmaceutical Equipment Zhuqiao Branch was not required to file the design of safety facilities to competent authority under the amended Three Simultaneities; and (ii) Morimatsu Pharmaceutical Equipment Zhuqiao Branch could rectify the Pharmaceutical Equipment Work Safety Incident by completing consolidated analysis of safety condition and facilities, the examination of the design of safety facility, and the safety facility completion acceptance check, along with our written report respectively when we engaged our PRC Legal Advisers to review the legal compliance and when consulted with Pudong Emergency Management Bureau on 9 September 2020. Morimatsu Pharmaceutical Equipment Zhuqiao Branch has completed the rectification actions of completing consolidated analysis of safety condition and facilities, the examination of the design of safety facility, and the safety facility completion acceptance check, along with their written report respectively by the end of 2020. Based on the above, our PRC Legal Advisers have advised that as Morimatsu Pharmaceutical Equipment Zhuqiao Branch has completed the rectification actions of completing consolidated analysis of safety condition and facilities, the examination of the design of safety facility, and the safety facility completion acceptance check, along with their written report respectively, Morimatsu Pharmaceutical Equipment Zhuqiao Branch is unlikely to be penalised for Pharmaceutical Equipment Work Safety Incident under relevant PRC laws.	

No.	Non-compliance incidents and reasons for non-compliance	Legal consequences and potential maximum penalty	Rectification actions and impact on our Group	Enhanced internal control measures
4.	***As regards discharge of waste water under applicable PRC laws*** During the Track Record Period, Morimatsu Chemical Equipment, which has ceased to be a subsidiary of our Group pursuant to the Demerger, was fined with a total amount of approximately RMB300,000 in relation to the failure to discharge sewage in accordance with the requirements of the permit for discharging sewage into drainage network in two instances in July 2018 and June 2019. Such non-compliance was primarily due to the misunderstanding of the interpretation of the relevant laws and regulations by our head of health, safety and environment department responsible for handling such matter at the relevant time as we were unfamiliar with the relevant laws and regulations in the PRC, and thus did not have a comprehensive understanding of the relevant regulatory requirements.	Pursuant to the Regulations on Urban Drainage and Sewage Disposal (城鎮排水與污水處理條例), if the drainage entities do not discharge sewage in accordance with the requirements of its permit for discharging sewage into drainage network, the drainage entities may be ordered to stop the non-compliance act and to make correction within a specified time limit and to pay a fine not exceeding RMB500,000.	We have obtained the written confirmation letter dated 27 July 2020 issued by Pudong Environment Enforcement Detachment, confirming that the incidents did not have significant impact on environment and Morimatsu Chemical Equipment had duly paid the fine and implemented relevant corrective measures. As advised by our PRC Legal Advisers, Pudong Environment Enforcement Detachment is the competent authority to issue the above confirmation. Moreover, our PRC Legal Advisers have advised that since the fines have been settled in full and the non-compliance has been rectified, we will not be subject to any further administrative fine in respect of the aforementioned non-compliance incidents.	We settled the fine and have adopted several rectification measures, including: (i) we will provide trainings on the relevant environmental protection requirements relating to discharge of waste water to our staff in charge with the assistance of our PRC legal advisers; (ii) upgrading the production technology, especially the waste water treatment technique; (iii) enhancing the environmental protection awareness among our management team; (iv) reinforcing the environmental protection and safety management at our production bases, explicitly prohibiting the use of techniques which may be hazardous to the environment in the production and requiring all of our production facilities to comply with regulations regarding waste water discharge; and (v) conducting inspection of the production process to ensure no occurrence of similar incidents.

In preparation for the Listing, we have engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a detailed review of our Group's procedures, system and internal control procedures (including accounting and management systems). The Internal Control Consultant conducted its work in March 2020 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up review on our system of internal control with regard to those actions taken by our Group and reported the follow-up review findings in July 2020. Based on the results of the follow-up review, our Directors confirmed that our Group had adopted all the applicable internal control measures and policies suggested by the Internal Control Consultant and did not have any significant deficiencies in its internal control system as of the Latest Practicable Date.

The Internal Control Consultant has also reviewed and provided recommendations to our internal control system for preventing the recurrence of similar non-compliance incidents, and our Group has implemented all such recommendations. Key steps taken and to be taken by our Group in response to each of the non-compliance incidents mentioned above and for enhancement of our internal control and risk management measures are disclosed above. After considering the nature and reasons for our historical non-compliance incidents, and the remedial actions already taken by our Group, our Directors are satisfied that our internal control procedures are adequate and effective. In addition, considering the nature and reasons for the historical non-compliance incidents and the advice from our PRC Legal Advisers, and after reviewing the enhanced internal control procedures of our Group, nothing has come to the attention of the Sole Sponsor that our Group's internal control measures are not adequate and effective.

Our Directors are satisfied, and the Sole Sponsor concurs, that the abovementioned non-compliance incidents do not have any material impact on (i) the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules; and (ii) the suitability of our Company for listing under Rule 8.04 of the Listing Rules having taken into account that (i) the non-compliance incidents did not involve any dishonesty or fraudulent act on the part of our Directors; (ii) our Group has taken measures to rectify the non-compliance incidents, to the extent practicable; (iii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of similar non-compliance incidents; (iv) there were no recurrence of similar non-compliance incidents since the implementation of such measures; and (v) each of our Directors is aware of the requirements and obligations as a director of a listing issuer pursuant to the Listing Rules and has undertaken to observe and comply with all the relevant rules and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a risk management system consisting of relevant policies and procedures that we believe are appropriate for our business operations. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritising the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and our risk tolerance level; and (v) execution of risk response measures.

Internal control on hedging transactions

We have formulated the following hedging policy: (i) the personnel ultimately responsible for making investment decisions are our Directors who have the authority to approve hedging transactions; (ii) our Directors are responsible for organising and conducting a risk assessment of the risks and benefits of entering into hedging transactions by considering various factors such as global economic conditions, the demand and supply of a commodity or currency and relevant currency policies; (iii) our general manager, manager office, finance department, risk management department, legal professionals and other related departments are required to provide support to our Directors in performing such risk assessment; (iv) the purpose of the hedging transactions should never be for speculation but should always be to hedge against exposure in underlying transactions; and (v) the amount of the hedging transactions should be sufficient to cover the exposure to risks in the underlying transaction but not more. Under the supervision of our Directors, the management of the relevant borrowing entity must review its monthly foreign exchange exposure and expected future cash flow, and report to our Directors any material issues identified or material fluctuation anticipated.

Our Board oversees and manages the overall risks associated with our business operations. Moreover, our audit committee will review and supervise our financial reporting process and internal controls system. The audit committee consists of three members, namely Ms. Chan Yuen Sau Kelly, Mr. Kanno Shinichiro, and Mr. Matsuhisa Terumoto. For qualifications and experience of the members of the audit committee, please refer to the section headed "Directors and Senior Management" in this prospectus.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental

We pay close attention to and strictly follow the environmental laws and regulations applicable in the jurisdictions where we operate. For details, please refer to the section headed "Regulatory Overview" in this prospectus.

As a company with social responsibility, we are committed to protecting the environment and saving resources. After identification and evaluation of key environmental factors, we have identified the possible environmental impact of our production process as well as employees' office work, assessed the coverage of impact, frequency of occurrence and degree of impact, and designated the responsible department to take corresponding measures towards various impacts, including:

- for the dust from our production process, we have installed dust collection device;
- for the wastewater from our production process, we use the sewage treatment facilities in the plant to treat and discharge the wastewater to the municipal sewage pipe network. In addition, we engage a third-party service provider with testing qualification to carry out annual emission tests to ensure that the discharge meets

the emission standards. We also formulated the emergency plan for the failure of environmental protection facilities. In order to further improve the treatment effect of the wastewater generated in the pickling process of the workshop, we upgraded acid mist extraction device for hydraulic tank in 2020;

- regarding waste gas emissions, we endeavour to reduce emissions by implementing measures, such as adopting clean energy, using emission reduction facilities, and optimising driving routes. For our production bases, we engage a third-party service provider with testing qualification to carry out annual emission tests to ensure that the emission meets the emission standards.

We have formulated relevant policies and measures on air pollution control, water pollution control, waste management and noise pollution prevention and control, so as to protect and improve the ecological environment of our production bases and the surrounding areas, and protect and improve the working and living environment of our employees.

We are committed to saving resources and have formulated the "Energy Conservation Management Measures". Our energy conservation measures include the following:

- if there is no special requirement, the water processed after pressure test should be packed in a container to ensure recycling for other pickling operations;

- the computer and other surrounding equipment must be turned off after leaving the office for more than one hour; and

- when the air conditioner is turned on, close the doors and windows and set the temperature reasonably. The temperature should not be higher than 20 degrees in winter and lower than 26 degrees in summer.

We actively participated in the pilot project of clean energy utilisation. We granted right of use of the roof of the structure(s) at our Nantong production base to a qualified third party specialising in solar energy utilisation to lay solar panels, and purchased the electricity converted from solar energy provided by such qualified third party with certain discount for our production, which saved our electricity expenses. For instance, the solar energy conversion power could account for more than 40% of the total power consumption of our Nantong production base in the months with sufficient sunlight.

Moreover, we actively explore and integrate energy saving into product design for our customers. For example, we optimise the design of spray ball for cleaning equipment through spray flow pressure calculation, vessel three-dimensional model modelling, spray ball positioning calculation, model assembly and debugging, thereby saving water and electricity usages. Modularisation reduced the intensity of on-site operation and the emissions on site, and standardisation improved the convenience and safety of operation and the labour production efficiency, which is conducive to achieving the win-win of economy, environment and society.

Employment

To protect the rights of our employees, we strictly comply with the relevant laws and regulations on employment in the jurisdictions where we operate. For details, please refer to the section headed "Regulatory Overview" in this prospectus.

In accordance with our development strategy and business objectives, we recruit talents based on the principles of fairness, justice and openness, and select talents suitable for the positions based on overall consideration of knowledge, morality, ability, and experience.

We have formulated comprehensive employment and welfare policies and summarised in the staff handbook that is available to every employee. We provide employees with equal job opportunities according to the nature of the position, including the opportunity to work at overseas countries. We provide employees with various allowances (such as allowance based on the length of service, rental allowance, post allowance, and high temperature allowance), various assessment bonuses, year-end bonuses and etc. We also provide badge or cash rewards for those who have been serving our Group for more than certain years.

We provide reasonable working hours to promote work-life balance of our employees. Regarding overtime work, employees should apply in advance and approval will only be granted if it is in compliance with the relevant regulations of the operating region.

We provide employees with various training activities to help them improve their professional skills and inherit corporate culture. We hold training classes for young key staff and senior management, aiming to develop their management and problem solving skills.

Employee Care

We value our employees, not only through the provision of competitive remuneration package, but also strive to truly care about employees, consider what employees think, and meet their needs.

In order to create a good working environment for female employees, we have set up two caring mommy rooms at our headquarters. In May 2019, it was awarded the title of "Four-Star Loving Mommy Room" by the Women Workers Committee of Shanghai Federation of Labor Unions.

Moreover, we hire full-time housekeeping service personnel to cope with the unexpected needs of employees' families during business trips or daily work. Our labour union, together with employee representatives and external professional teachers, set up parent-child studios via mutual assistance among employees to offer child caring services during the summer vacation.

Occupational health and safety

Employees are our most valuable asset, so we attach great importance to the occupational health and safety of employees, strictly abide by relevant laws and regulations, and formulate

policies, such as "Occupational Health and Safety Management Regulations", "Occupational Health Monitoring and File Management System" and "Labour Protection Product Management Programme", to prevent work-related diseases and protect the health of employees, by providing employees with a good working environment, adequate and appropriate personal protective equipment supplies and emergency equipment.

We have formulated the "Leadership and Management Personnel on Duty System" to clarify the responsibility of the on-duty leaders for safety and production work, including: (a) inspecting the working status of workshop leaders and those at important positions; (b) identifying safety risks and taking follow-up actions timely; and (c) carrying out routine inspections. In order to motivate employees to participate in safety management, we formulated the "Twelve-point System Assessment Regulations for Employee HSE Behaviors" and implemented a safety responsibility reward and punishment system.

We have formulated policies such as "Safety Production Management System", "Equipment Safety Operation Regulations", "Handover Safety Management System", and established a safety management committee and a safety environment management department to coordinate and manage all safety matters related to production, thereby strengthening safety production supervision and management.

We have established a safety training mechanism, including new employee trainings, team trainings, quarterly regular trainings, pre-work trainings for sub-contractors, and safety trainings for specific production process. External visitors also have to receive a safety briefing prior to entering the workshop. We have introduced "5S" (i.e. Seiri, Seiton, Seisou, Seiketu, Shitsuke) activities management regulations to standardise work processes, ensure work safety, and promote harmonious management atmosphere.

We also use new technologies to optimise and simplify the management process. For example, our Information Technology Department has developed a WeChat Mini Programme to facilitate the management of distribution of personal protective equipment to employees.

The Company's governance around environmental-related (including climate-related) risks are monitored by the Board member. On 14 September 2020, the Company has appointed one of the Board members, Mr. Kawashima Hirotaka, an executive Director, responsible for the planning, organizing and supervising the ESG work to coordinate with various departments such as procurement and manufacturing department and the Health, Safety and Environment team in the Company. The Company has established a range of mid to long-term targets to pursue an innovative Health, Safety and Environment Management System in the fields of research & development, design, manufacturing, installation and technique support. The mid to long-term targets are as follows:

(i) Comply with laws and regulations of environment, health and safety;

(ii) Comply with the standard discharge of wastewater;

(iii) Comply with the standard emission of exhaust gas;

(iv) classification and disposal of solid waste;

(v) reduce the rate on injuries which would cause the loss of production hours;

(vi) Avoidance of fire disaster;

(vii) Avoidance of occupational diseases;

(viii) Making influence on stakeholders

During the Track Record Period, Morimatsu Chemical Equipment, which has ceased to be a subsidiary of our Group pursuant to the Demerger, was fined with a total amount of approximately RMB0.3 million in relation to the excessive discharge of wastewater in two instances. We settled the fine and filed an accident report for each of these incidents right after it happened. Also, we enhanced the relevant internal controls and upgraded the related equipment. For details, please refer to the paragraph headed "— Regulatory Compliance" in this section.

We believe that the potential impact has been reduced to minimum level in most situations with our structure, policies and measures, quickly responding internal control team and advanced equipment. However, since the inherent risks still exist, our workplaces, the wide international customer base of our business and the working environments may be subjected to certain unforeseeable incidents such as earthquakes, fire, severe weather, war and floods. We maintain various insurances including property insurance covering risks of physical loss, destruction or damage to the inventory of our products and fixed assets, employer's liability insurance, public liability insurance, and transportation and logistics insurance. We pay close attention to the environment related risk (including climate risk) in the region we and our customers operate to adjust business strategy accordingly ensuring the sustainable (including financial sustainable) development of the Company.

We performed hazard identification and summarised 115 risk factors in regards of safety operation, their accident types and potential impact. We also evaluated danger level based on the likelihood, exposure, consequence and danger of these risk factors. In the result, there are 13 high risk factors such as damp circuit and metal dust, 27 medium risk factors, such as ionizing radiation, nature gas pipe leakage and other low risk factors.

We performed environmental factor identification and summarised 22 factors in regards of risk or opportunity. We analysed their importance based on the frequency, range, recoverability, concern and effect degree. In the result, there are five important environmental factors. Both the identification and evaluation of hazard risk factor and environment factor will be updated yearly.

For those hazards which were identified and evaluated as high and moderate risk, we established related policies and measures, appointed responsible person and working group to maintain and monitor and established an internal report and responding mechanism in the company.

In order to promote our mid to long-term targets mentioned above, we also established metrics, including:

(i) limiting injuries ratio per thousand people within 0.5%;

(ii) Nil heavy injuries or deaths;

(iii) Nil fire explosion accidents;

(iv) Nil occupational diseases;

(v) Nil dangerous gas leakage accidents;

(vi) Reducing energy consumption rate by 2%;

(vii) 100% collect, transfer and dispose of hazard wastes;

(viii) 100% staff participation in Health, Safety and Environment training;

(ix) 100% safety training for external visitors before entering our plant.

(x) Labour Standards

- the Company verifies personal resumes and information of the new employee at the start of employment to avoid the occurrence of child labour;

- the Company strictly complies with the Labour Law of the People's Republic of China, monitoring the working hours of employees. If overtime is necessary, the monthly total overtime hours will be controlled within 36 hours.

(xi) Development and Training

- Health, Safety and Environment training will be held in the every half year to enhance employees' awareness of Health, Safety and Environment;

- The Group holds training courses to improve management skills and knowledge through a combined teaching method by external lecturers and internal senior staff;

- A seminar is held every quarter to summarise and discuss the Group's business and future development directions.

(xii) Supply chain management

- Environmental protection reviews will be conducted in suppliers' assessments;

- The qualified suppliers will be subjected to environmental protection reviews during regular assessments.

(xiii) Product responsibility

- before the establishment of a research and development project and before the product entering the market, there is an evaluation on intellectual property infringement at least once;

- the intellectual property management team conducts investigations on the potential infringement of the company's patents quarterly.

The Group's costs of compliance with the applicable environmental protection laws and regulations during the Track Record Period includes: (i) environment protection tax and pollution discharge fees of RMB0.8 million; (ii) expenditure on environment protection equipment and construction structure of RMB4 million; (iii) purchase of external service in the purpose of environment protection of RMB2.2 million.

BUSINESS ACTIVITIES WITH CUSTOMERS IN RELATION TO COUNTRIES/ REGIONS SUBJECT TO INTERNATIONAL SANCTIONS

Certain countries or organisations, including the U.S., the European Union, the United Nation, and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within countries/regions subject to International Sanctions.

For the three years ended 31 December 2019 and the nine months ended 30 September 2020, we sold our products including traditional pressure equipment and modular pressure equipment directly and indirectly to customers located in the Relevant Regions. The revenue generated from such transactions related to the Relevant Regions was approximately RMB112.4 million, RMB2.8 million, RMB31.9 million and RMB74.5 million, representing approximately 7.2%, 0.1%, 1.1% and 3.7% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. The Balkans (Greece), Egypt, Iraq, Turkey and Russia were subject to certain limited sanctions during the Track Record Period but none of them is subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction. Turkey as a country is not sanctioned by the United States, nor does OFAC maintain a Turkey-specific sanctions program. Turkey also is not subject to comprehensive sanctions imposed by the European Union, (instead, the European Union sanctions framework for Turkey-related measures that were initially adopted on 11 November 2019 included provisions on the measures that could be imposed by the EU and have thus far only been used to subject two individuals to asset-freezing measures and travel bans). Russia, as well as the region of Crimea, which is located in between Russia and Ukraine, has been subject to a variety of additional sanctions measures since Russia's actions

and claims of sovereignty in Crimea were deemed to be illegal by the governments of many western governments and intergovernmental organisations, including additional sanctions measures adopted by the United States in 2018 and 2019. Further, the region of Crimea is subject to comprehensive international sanctions and is within the meaning of a Sanctioned Country. While we have not conducted any business transactions in Crimea during the Track Record Period, the end customers of certain transactions were located in Russia (outside of the Crimea region). Sales proceeds of our products to customers in the Relevant Regions during the Track Record Period were received through our bank accounts in China and Sweden. During the Track Record Period and up to the Latest Practicable Date, we had not notified the relevant banks through which we received payments for our sales of products to the Relevant Regions of the fact that the payments were made from the Relevant Regions because to the best knowledge of our Directors, the relevant banks should have had access to the information of the originating countries of remittance when processing the payments. The relevant banks could have declined to process the payments if they were to identify sanctions risk in accordance with their internal procedures. We are not subject to loan covenants under existing loan agreements that require us to report payments received being related to sales to the Relevant Regions or prohibit us from making sales to the Relevant regions. As we have not been notified that any International Sanctions will be imposed on us for our sales and/or deliveries to the Relevant Regions during the Track Record Period and we have not been identified on the Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the European Union, Australia and the United Nations as of the date of this prospectus, our Directors are of the view that it is highly unlikely that we will be subject to suspension or termination of loans or banking facilities currently available to us.

Hogan Lovells, our International Sanctions Legal Advisers, has performed the following procedures which it considers necessary in order to evaluate our International Sanctions risk exposure:

(a) reviewed documents provided by us about our Group, our shareholding structure, business operations, revenues, contracts and customer lists in respect of our sales to the Relevant Regions.

(b) reviewed our list of customers in the Relevant Regions against the lists of persons and organisations subject to International Sanctions, and confirmed that they are not on such lists; and

(c) received written confirmations from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures above, we did not violate relevant sanctions as a result of any Primary Sanctioned Activity for the purpose of the guidance letter HKEX-GL101-19 issued by the Stock Exchange

in March 2019 given that (a) we have not engaged in activities in the Crimea region, Cuba, North Korea, Iran, Sudan, Syria which were the countries or territories subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the United States, the United Nations, the European Union and Australia during the Track Record Period; (b) except one of our customer from Russia (excluding Crimea region), which mainly engaged in manufacturing and exporting petroleum and liquefied natural gas products and commenced the cooperation with the Group in 2016, none of our customers relating to the Relevant Region would be deemed as Sanctions Targets because none of them was identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the United Nations, the European Union and Australia, and our activities in the Relevant Regions have not directly or indirectly benefited, or involved the property or interests in property of, a Sanctioned Target. The aforementioned customer from Russia (excluding Crimea region) is owned as to more than 50% by an entity identified on the Sectoral Sanctions Identification List (SSIL) maintained by the U.S. and is subject to more limited U.S. sanctions that target certain types of oil/gas exploration or production projects. As advised by our International Sanctions Legal Advisers, our transactions with that customer do not violate or implicate any breaches of the primary U.S. sanctions and our business nature with that customer did not implicate limited scope of restrictions apply to entity as i) the products sold to the customer were not subject to U.S. or European Union law; and ii) the products sold do not directly or indirectly involve projects for exploration, production in deep water, the Arctic or shale formations, or in the provision of finance including loans or credit to Russia, (c) same as the customer from Russia (excluding Crimea region) mentioned in (b) above, our sales to customers in the Relevant Regions do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions; and (d) our Directors confirm that we had not been notified of that any International Sanctions will be imposed on us for our sales to customers in the Relevant Regions during the Track Record Period.

In addition, as advised by our International Sanctions Legal Advisers, we did not violate relevant sanctions as a result of any Secondary Sanctionable Activity for the purpose of the guidance letter HKEX-GL101-19 issued by the Stock Exchange in March 2019 given that our Directors confirm that as of the date of this prospectus, we had not been designated as a Sanctioned Target or subject to penalties due to any violation of International Sanctions. Further, given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and the Listing Committee and group companies and accordingly, the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Shares (including the Stock Exchange, the Listing Committee and related group companies) is very low. As a result, we are not subject to material contingent liabilities in relation to the Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period.

Our International Sanctions Legal Advisers have not identified the Group's apparent violations of the International Sanctions after evaluating the sanctions risks of our historical business activities relating to the Relevant Regions during the Track Record Period. Therefore, our International Sanctions Legal Advisers have not recommended reporting of our historical business activities relating to the Relevant Regions during the Track Record Period, including voluntary self-disclosure to OFAC, and such reporting is not necessary as of the date of this prospectus.

Our undertakings to the Stock Exchange

We undertake to the Stock Exchange that:

- we will not use the net proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the United States, the European Union, Australia or the United Nations, including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, Australia or the United Nations;

- we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the United States, the European Union, Australia or the United Nations;

- we will make timely disclosure on the website of the Stock Exchange and our website if we believe that any of our business activities would put our Group or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the European Union, Australia or the United Nations; and

- we will also include such disclosures in our annual reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the European Union, Australia and the United Nations, and our business intention relating to customers from any such country.

Our internal control measures to minimise sanctions risk

As we intend to continue to sell our products to customers in countries/regions subject to International Sanctions except for the Sanctioned Countries if and when suitable business opportunity arises, subject to our strict adherence to our internal control and risk management measures. In order to identify and monitor our exposure to risks associated with sanctions laws relating to these sales, we will implement the following measures before the Listing, including:

- the Board has established a sanctions oversight committee to manage our exposures to sanctions risks and oversee the implementation of internal control policies.

The sanctions oversight committee will comprise Mr. Kawashima Hirotaka (our Executive Director), Mr. Lu Weifeng (our Head of the Office of Securities Affairs), Ms. Sun Xing (our Securities Affairs Manager), Mr. Meng Lei (Deputy General Manager of Morimatsu Heavy Industry), and Mr. Jiang Pei (Vice General Manager of Morimatsu Pharmaceutical Equipment). Their responsibilities include, among others, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our sanctions oversight committee will hold at least two meetings each year to monitor our exposure to sanctions risks;

- the sanctions oversight committee may engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers;

- we will maintain a control list of countries/regions subject to International Sanctions and persons and entities designated pursuant to the sanctions imposed by the United States, the European Union, Australia or the United Nations which is provided and updated by the external legal advisers from time to time. The sanctions oversight committee will review existing and potential customers' information against the list to identify the sanctions risk;

- for new customers from countries subject to sanctions imposed by the United States, the European Union, Australia or the United Nations, the sanctions oversight committee must review and approve these potential customers before we enter into any agreement or embark on any business opportunities with these potential customers;

- we will open and maintain separate bank account(s) which is/are designated for proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange. Our sanctions oversight committee will monitor and regulate the use of the net proceeds from the Global Offering to ensure that we will not breach our undertaking to the Stock Exchange; and

- compliance and training programme for sanctions issues will be provided to our Directors, senior management members to ensure that they keep abreast of the material developments in the sanctions related issues.

Our Directors are of the view that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions laws and complying with our undertakings to the Stock Exchange.

After undertaking relevant due diligence and subject to the full implementation and enforcement of the above measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Company in identifying and monitoring any material risks relating to sanctions laws.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme), Morimatsu Industry will hold 75% of the issued share capital of our Company.

Morimatsu Industry is wholly owned by Morimatsu Holdings. As at the Latest Practicable Date, Morimatsu Holdings had 764,280 issued shares, among which 1,000 were voting shares and 763,280 were non-voting shares. Shareholders of the non-voting shares do not have any voting right at the general meeting of shareholders of Morimatsu Holdings. The following table sets forth the shareholding structure of Morimatsu Holdings:

Name of shareholders	Number of voting shares held	Shareholding percentage of voting shares	Number of non-voting shares held	Shareholding percentage of non-voting shares
Mr. Matsuhisa Terumoto	800	80%	46,881	9%
Mr. Matsuhisa Hiroyuki	200	20%	33,600	7%
Eight family members of Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki	–	–	357,617	70%
A director share ownership association (役員持株會)	–	–	73,599	14%
Sub-total	**1,000**	**100%**	**511,697**	**100%**
Treasury Stock (自己株式)	–	–	251,583	–
Total	**1,000**	**100%**	**763,280**	**100%**

As illustrated above, Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki holds 80% and 20% of the issued voting shares of Morimatsu Holdings, respectively. Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki are siblings. On the basis that Mr. Matsuhisa Terumoto and Mr. Matsuhisa Hiroyuki hold their interests in Morimatsu Industry and in turn our Company through the common investment holding company of Morimatsu Holdings, Mr. Matsuhisa Terumoto, Mr. Matsuhisa Hiroyuki, Morimatsu Industry and Morimatsu Holdings are regarded as a group of our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and/or their respective associates after the Listing, having taken into consideration the following factors:

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team which is led by a team of senior management with experience and expertise in our business to implement our policies and strategies.

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director, and three independent non-executive Directors. For a summary of the positions held by our Directors at our Company and its subsidiaries, please refer to the section headed "Directors and Senior Management" in this prospectus.

Four of our Directors, namely Mr. Matsuhisa Terumoto (a non-executive Director and our chairman), Mr. Nishimatsu Koei (an executive Director and our chief executive officer), Mr. Hirazawa Jungo (an executive Director and our chief finance officer) and Mr. Kawashima Hirotaka (an executive Director), also have positions and/or roles in our Controlling Shareholders and/or certain companies in which our Controlling Shareholders are interested other than those within our Group. Details of the overlapping of directorship and senior management are set forth below:

Name of Director	Positions in our Company	Positions / roles in our Controlling Shareholders or their controlled entities (other than our Group)
Mr. Matsuhisa Terumoto	Non-executive Director and chairman	• Executive director and chief executive officer of Morimatsu Holdings • Executive director and chief executive officer of Morimatsu Industry • Director of AMT • Director and chief executive officer of MIW • Director and chief executive officer of Morimatsu Technology

Name of Director	Positions in our Company	Positions / roles in our Controlling Shareholders or their controlled entities (other than our Group)
		• Director of Morimatsu Chemical Equipment • Director of Morimatsu Solar Technology • Director of Morimatsu Seiki • Director of Morimatsu Mixing • Director of Tap Mate
Mr. Nishimatsu Koei	Executive Director and chief executive officer	Director of Morimatsu Industry
Mr. Hirazawa Jungo	Executive Director and chief finance officer	Part-time consultant of Morimatsu Industry
Mr. Kawashima Hirotaka	Executive Director	Part-time consultant of Morimatsu Industry

We consider that the aforesaid overlapping of directorship and senior management will not affect our management independence for the following reasons:

(a) Mr. Matsuhisa Terumoto, being a non-executive Director, will not participate in the day-to-day operations of our Group.

(b) Our daily operations are managed by the five executive Directors, Mr. Nishimatsu Koei, Mr. Hirazawa Jungo, Mr. Kawashima Hirotaka, Mr. Tang Weihua and Mr. Sheng Ye. Although Mr. Nishimatsu Koei will continue to be a director of Morimatsu Industry and each of Mr. Kawashima Hirotaka and Mr. Hirazawa Jungo will continue to be a part-time consultant of Morimatsu Industry, neither of them will participate in the day-to-day operations of Morimatsu Industry or any other entities controlled by our Controlling Shareholders (save for our Group). Each of them will devote most of his time to the day-to-day operations and the management of our Group.

(c) In the event that any of Mr. Matsuhisa Terumoto, Mr. Nishimatsu Koei, Mr. Hirazawa Jungo and Mr. Kawashima Hirotaka is required to absent himself from any Board meeting on any matter which may give rise to a potential conflict of interest with the above companies, our remaining Directors will have sufficient expertise and experience to fully consider any such matter.

Save as disclosed above, none of our Directors or senior management members holds any positions in any of the companies in which our Controlling Shareholders are interested other than those within our Group. Therefore, there are sufficient non-overlapping Directors who are not executive management of the companies in which the Controlling Shareholders have interests and have relevant experience to ensure the proper function of our Board.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

(i) Each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. The provisions of the Articles of Association also ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice;

(ii) Our Company has also appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance between the number of executive Directors and independent non-executive Directors to ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise and our Directors believe that our Board will benefit from their independent advice;

(iii) our Company has also established internal control mechanism to identify related party transactions to ensure that our Controlling Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions; and

(iv) in order to allow the non-conflicting members of the Board to function properly with the necessary professional advice, our Company will engage a third party professional adviser to advise the Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between our Group and our Directors or their respective associates.

In light of the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders after the Listing.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We do not rely on our Controlling Shareholders or their associates and have our independent access to our major suppliers. We have established our own customer bases and ourselves negotiated and concluded agreements with our customers, and do not rely on our Controlling Shareholders and their associates for access to customers. We hold all relevant licences and assets necessary to operate our business, and have sufficient capital and employees to operate our business independently.

Save for the transactions described in the section headed "Connected Transactions" in this prospectus, our Group does not have any transactions with any of our connected person including our Controlling Shareholders and/or their respective associates, which will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Our Group is therefore able to operate independently from our Controlling Shareholders after the Listing.

Financial independence

Our Group has an independent financial system and relies principally on cash from operations and bank facilities to carry on its business during the Track Record Period. This is expected to continue after the Listing. During the Track Record Period, our Group had certain amounts due from/to our Controlling Shareholders, and their respective associates, details of which are set out in note 33 in Appendix I to this prospectus. All financial assistance, including amounts due from/to our Controlling Shareholders and/or their respective associates, and loans or guarantees provided by our Controlling Shareholders and/or their respective associates to our Group, were/will be repaid or released or otherwise settled in full upon the Listing. In the circumstances, we believe we are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders.

Having considered the above factors, our Directors consider that there is no financial dependence on our Controlling Shareholders.

In light of the above, our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective associates, and our Group is considered independent in all material aspects including finance, management and operations of our Controlling Shareholders.

DELINEATION OF BUSINESSES

Business of our Group

Our Group principally engages in manufacture of pressure equipment and provision of integrated pressure equipment solution. Our Group's products are broadly divided into traditional pressure equipment and modular pressure equipment. The types of traditional pressure equipment our Group offers mainly include heat exchangers, tanks, reactors and towers. Our Group generally undertakes pressure equipment projects in downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. For further details of the principal business of our Group, please refer to the section headed "Business" in this prospectus.

Other businesses of our Controlling Shareholders and/or their respective associates

Morimatsu Industry

Morimatsu Industry, one of our Controlling Shareholder, is a company incorporated in Japan with limited liability on 2 May 1964. Morimatsu Industry directly and principally engages in manufacture of (i) water tanks and water supply equipment for construction sites ("**Water Tanks and Water Supply Equipment Business**"); and (ii) steel plate used in the production of aircraft and rocket fuselage shell ("**Aerospace Steel Plate Business**"). Morimatsu Industry is also interested in certain other businesses through its investment in (i) our Company and its subsidiaries, which cover businesses in manufacture of pressure equipment and provision of integrated pressure equipment solution; and (ii) Morimatsu Solar Technology, which covers business in manufacture and sales of specialised pressure equipment for application in the semiconductor, lithium-ion battery and waste sorting industries.

In respect of the Water Tanks and Water Supply Equipment Business, Morimatsu Industry sells its products only in Japan and mainly to construction companies which procure the same for installation at their construction sites for water storage and supply purposes. As confirmed by our Directors, there is no overlap of customers and no sharing of production facilities between our Group and Morimatsu Industry. Although our traditional pressure equipment products include tanks, our tanks are pressure equipment used for specialised purpose such as dimple jacket dissolving tank, decompression dispensing tank, crystalliser and mixing tank which are fundamentally different from and are not interchangeable with water tanks of Morimatsu Industry. For further details of our products, please refer to "Business – Business Model" in this prospectus. Based on the above, our Directors are of the view that there is clear delineation between our Group's business and the Water Tanks and Water Supply Equipment Business of Morimatsu Industry.

In respect of the Aerospace Steel Plate Business, given the difference in products and business nature, our Directors are of the view that there is clear delineation between our Group's business and the Aerospace Steel Plate Business of Morimatsu Industry.

In view of the clear delineation of business between our principal business and that of Morimatsu Industry, our Directors are of the view that the business of Morimatsu Industry neither forms part of our principal business nor is in line with the overall and strategic direction of our Group, and the development of which would divert our management's time, attention and resources from the operation and development of our principal business. As such, our Directors do not consider it appropriate for our Group to include the business of Morimatsu Industry in our Group.

For details of the principal business activities and the delineation of business of Morimatsu Industry, please refer to the paragraph headed "Delineation of Business and Financial Information of Other Businesses" below in this section.

Morimatsu Solar Technology and Morimatsu Chemical Equipment

Backgrounds

Morimatsu Solar Technology is a limited liability company established in the PRC on 12 February 2007. As at the Latest Practicable Date, Morimatsu Solar Technology was owned as to 80% and 20% by Morimatsu Seiki and Senhe Investment, respectively.

Morimatsu Chemical Equipment is a limited liability company established in the PRC on 17 November 2004. As at the Latest Practicable Date, Morimatsu Chemical Equipment was owned as to 80.85% and 19.15% by Morimatsu Seiki and Morimatsu Technology, respectively.

Each of Morimatsu Seiki and Morimatsu Technology is wholly owned by Morimatsu Industry, one of our Controlling Shareholders.

Business of Morimatsu Solar Technology

Morimatsu Solar Technology previously and mainly engaged in the manufacture and sales of specialised pressure equipment for application in the semiconductor, lithium-ion battery and waste sorting industries, and to a less extent in the manufacture of traditional pressure equipment in chemical and electronic chemical industries. After the Demerger, other than to continue its contracts of traditional pressure equipment in hand, Morimatsu Solar Technology ceased to carry out the business relating to traditional pressure equipment and only continued the business relating to the specialised pressure equipment, and the business relating to traditional pressure equipment was and will be carried out by our Group. Due to the difference in applications, product designs, production technologies and production processes between the specialised pressure equipment of Morimatsu Solar Technology and the traditional pressure equipment of our Group, pressure equipment produced by Morimatsu Solar Technology and by our Group are not interchangeable with each other. As confirmed by our Directors, save for the uncompleted contracts for traditional pressure equipment as detailed below, there is no sharing of technical staff and production facilities between Morimatsu Solar Technology and our Group. By virtue of the above, our Directors are of the view that there is clear delineation between our Group's business and the business of Morimatsu Solar Technology.

Given the clear delineation of business between our principal business and that of Morimatsu Solar Technology, our Directors are of the view that the business of Morimatsu Solar Technology neither forms part of our principal business nor is in line with the business strategy of our Group, and the development of which would divert our management's time, attention and resources from the operation and development of our principal business. As such, our Directors do not consider it appropriate for our Group to include the business of Morimatsu Solar Technology in our Group.

Our Directors confirm that the Discontinued Operations had not committed any material non-compliances during Track Record Period and were not involved in any material arbitration or legal proceedings immediately prior to the Demerger.

Business of Morimatsu Chemical Equipment

Morimatsu Chemical Equipment previously engaged in the manufacture of traditional pressure equipment in chemical industry, and after the Demerger, other than to continue its contracts of traditional pressure equipment in hand, Morimatsu Chemical Equipment ceased to carry out business of traditional pressure equipment, and the aforesaid business was and will be carried out by our Group. Save for one uncompleted contract for traditional pressure equipment as detailed below, Morimatsu Chemical Equipment has completed all its contracts of traditional pressure equipment in hand in September 2020, and as at the Latest Practicable Date, save for the investment holding of the industrial properties located in Shanghai, part of which are leased to our Group as our Shanghai production base, Morimatsu Chemical Equipment has no material business operation. In light of the change in the business nature of Morimatsu Chemical Equipment, our Controlling Shareholder decided not to include the business of Morimatsu Chemical Equipment in our Group in order to streamline our corporate structure. For further details of the lease arrangement between our Group and Morimatsu Chemical Equipment, please refer to "Connected Transactions — (B) Partially-exempt Continuing Connected Transaction" in this prospectus.

Uncompleted contracts of traditional pressure equipment

Before the Demerger, both Morimatsu Solar Technology and Morimatsu Chemical Equipment were subsidiaries of our Group. During the Track Record Period, each of Morimatsu Solar Technology and Morimatsu Chemical Equipment had entered into contracts of traditional pressure equipment which constituted the principal business of our Group. Since 30 September 2019, pursuant to the Demerger, Morimatsu Solar Technology and Morimatsu Chemical Equipment ceased to be subsidiaries of our Group. Details of the uncompleted contracts of traditional pressure equipment as at 30 September 2019 ("**Uncompleted Contracts**") of Morimatsu Solar Technology and Morimatsu Chemical Equipment are set out below:

	Number of Uncompleted Contracts	Aggregate contract value (excluding value added tax and other taxes)	Situation as at the Latest Practicable Date
Morimatsu Solar Technology	7	RMB482.0 million	Save for one Uncompleted Contract with a contract value (excluding value added tax and other taxes) of approximately RMB170.9 million, Morimatsu Solar Technology had completed its obligations under all the Uncompleted Contracts. The aforesaid outstanding Uncompleted Contract was signed in 2014 and involved the production of a total of 80 reactors (多晶硅氣相沉積反應器) for a PRC customer of electronic chemical industry. With respect to the aforesaid Uncompleted Contract, Morimatsu Solar Technology had received an amount of RMB12 million from the relevant customer, and had completed the production of 20 of the reactors thereunder. The relevant customer had subsequently refused acceptance of delivery of all the reactors as a result of, to the best knowledge of our Directors, its internal business adjustment. As at the Latest Practicable Date, Morimatsu Solar Technology has suspended further production of the remaining reactors, and has engaged legal advisers to claim against the relevant customer for outstanding payment under the aforesaid Uncompleted Contract.

	Number of Uncompleted Contracts	Aggregate contract value (excluding value added tax and other taxes)	Situation as at the Latest Practicable Date
Morimatsu Chemical Equipment	2	RMB31.7 million	Save for one Uncompleted Contract with a contract value (excluding value added tax and other taxes) of approximately RMB7.2 million, Morimatsu Chemical Equipment had completed its obligations under all the Uncompleted Contracts. The aforesaid outstanding Uncompleted Contract was signed in April 2017 and involved the production of two exchangers (酰化混合升温器) for a PRC customer of chemical industry. As confirmed by our Directors, since Morimatsu Chemical Equipment was unable to contact the relevant customer for delivery arrangement, the two exchangers had not been manufactured and delivered. As at the Latest Practicable Date, Morimatsu Chemical Equipment has taken initiatives to contact the relevant customer to negotiate for termination and settlement of the aforesaid Uncompleted Contract.

For details of principal business activities and the delineation of business of Morimatsu Solar Technology and Morimatsu Chemical Equipment, please refer to the paragraph headed "Delineation of Business and Financial Information of Other Businesses" below in this section.

For the two years ended 31 December 2018 and the nine months ended 30 September 2019, the financial results relating to the business in the manufacture and sales of specialised pressure equipment for application in the semiconductor, lithium-ion battery and waste sorting industries carried out by Morimatsu Solar Technology were accounted for as the Discontinued Operations in our Group's combined financial statements, while the financial results relating to the business in the manufacture of traditional pressure equipment previously carried out by Morimatsu Solar Technology and Morimatsu Chemical Equipment before the Demerger were accounted for as the Continuing Operations in our Group's combined financial statements. For more details, please refer to note 4(b) to the Accountants' Report set out in Appendix I to this prospectus.

Morimatsu Mixing and Morimatsu Pressure Vessel

Morimatsu Mixing was established in the PRC with limited liability on 18 June 2002. Immediately prior to its deregistration, Morimatsu Mixing was owned as to 95.72% by Morimatsu Industry. Morimatsu Mixing had principally engaged in manufacture and sales of mixer-related equipment. Morimatsu Pressure Vessel subsequently took over the mixer business of Morimatsu Mixing, and Morimatsu Mixing had ceased its business operation since December 2019. Pending settlement by its customers of the outstanding receivables arising with its previous operations before cessation of business, Morimatsu Mixing will be deregistered and will not form part of our Group.

Morimatsu Pressure Vessel was established in the PRC with limited liability on 14 October 1990. Immediately prior to its disposal, Morimatsu Pressure Vessel was owned as to 47.47%, 31.0%, 20.0% and 1.53% by Morimatsu Industry, Senhe Investment, Saima LLP and Morimatsu Seiki, respectively, and with an intended focus on the manufacture and sales of pressure equipment in nuclear power industry. On 30 June 2020, Morimatsu Industry, Morimatsu Seiki and Senhe Investment together transferred the 80% equity interest in Morimatsu Pressure Vessel to Mr. Wang Guobin (an Independent Third Party), at the consideration of RMB95,177,350, RMB62,155,000 and RMB3,067,650. To the best knowledge of our Directors, the aforesaid considerations have taken into account a number of factors including the net asset value, profitability and business prospects of Morimatsu Pressure Vessel as well as the purchase prices offered by different available potential investors. To avoid any misconception of business association with our Group after the transfer, the company name of Morimatsu Pressure Vessel changed to Shanghai Senyong Engineering Equipment Co., Ltd. (上海森永工程設備有限公司) on 10 October 2020.

Mr. Wang Guobin was one of the interested investors who had offered to acquire the equity interests of Morimatsu Pressure Vessel. To the best knowledge of our Directors, Mr. Wang is a PRC citizen with substantial experience in private equity investment. Mr. Wang is optimistic of the growth in nuclear power industry and hence demands for, among others, pressure equipment for nuclear plants in the PRC. As far as our Directors understand, as the private equity investor, Mr. Wang will not participate in the business operations of Morimatsu Pressure Vessel, while the management shareholder, i.e. Saima LLP, a limited partnership enterprise owned by the employees of Morimatsu Pressure Vessel, will be responsible for the management of Morimatsu Pressure Vessel.

The aforesaid transfers were implemented because:

(i) The business focuses of Morimatsu Pressure Vessel and our Group are different. Morimatsu Pressure Vessel focuses on the manufacture and sales of pressure equipment in nuclear power industry while our Group is principally engaged in the manufacture and sales of traditional pressure equipment and modular pressure equipment in downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas, electronic chemical industries.

(ii) Given its specialty and sensitivity, our Controlling Shareholders believe that their Japanese background may not be favourable for future development in the nuclear power industry in the PRC as compared to domestic market players with whom the potential customers which are usually government authorities and/or state-owned enterprises generally prefer to deal with.

(iii) Considering its relatively small business scale and to avoid incurring additional time and costs in the business segregation, after arm's length negotiations among the parties, it was agreed that the mixer-related equipment business would also be transferred as part and partial of the business of Morimatsu Pressure Vessel.

In the circumstances, our Controlling Shareholders disposed the equity interests held in Morimatsu Pressure Vessel to Mr. Wang Guobin, who is a PRC citizen, and focus its management and financial resources for further development of their other businesses including our Group's business. As a result of the abovementioned transfers, our Controlling Shareholders ceased to hold any equity interest in Morimatsu Pressure Vessel and therefore the business of Morimatsu Pressure Vessel is not included in our Group.

Our Directors confirm that Morimatsu Mixing and Morimatsu Pressure Vessel were solvent, and were not involved in any pending or unresolved arbitration or legal proceedings, or had any material non-compliances, immediately prior to the aforesaid transfer.

For details of principal business activities and the delineation of business of Morimatsu Mixing and Morimatsu Pressure Vessel, please refer to the paragraph headed "Delineation of Business and Financial Information of Other Businesses" below in this section.

Delineation of Business and Financial Information of Other Businesses

Delineation of Business

	Our Group	Morimatsu Industry	Morimatsu Solar Technology	Morimatsu Chemical Equipment	Morimatsu Mixing	Morimatsu Pressure Vessel
Major business activities	Manufacture and sales of pressure equipment and provision of integrated pressure equipment solution.	Manufacture and sales of: (i) water tanks and water supply equipment for construction sites; and (ii) steel plate used in the production of aircraft and rocket fuselage shell.	Previously and mainly engaged in the manufacture and sales of specialised pressure equipment for application in the semiconductor, lithium-ion battery and waste sorting industries, and to a less extent in the manufacture of traditional pressure equipment in chemical and electronic chemical industries. After the Demerger, other than to continue its contracts of traditional pressure equipment in hand, Morimatsu Solar Technology ceased to carry out the business relating to traditional pressure equipment and only continued the business relating to the specialised pressure equipment, and the business relating to traditional pressure equipment was and will be carried out by our Group.	Previously engaged in the manufacture of traditional pressure equipment in chemical industry, and after the Demerger, other than to continue its contracts of traditional pressure equipment in hand, Morimatsu Chemical Equipment ceased to carry out business of traditional pressure equipment, and the aforesaid business was and will be carried out by our Group. As at the Latest Practicable Date, save for (i) one uncompleted contract of traditional pressure equipment as detailed above, and (ii) the investment holding of the industrial properties located in Shanghai, part of which are leased to our Group as our Shanghai production base, Morimatsu Chemical Equipment has no material business operation.	Previously engaged in manufacture and sales of mixer-related equipment. Morimatsu Pressure Vessel subsequently took over the mixer business of Morimatsu Mixing, and Morimatsu Mixing had ceased its business operation since December 2019.	Manufacture and sales of pressure equipment in nuclear power industry, and mixer-related equipment.

	Our Group	Morimatsu Industry	Morimatsu Solar Technology	Morimatsu Chemical Equipment	Morimatsu Mixing	Morimatsu Pressure Vessel
Key products and applications	Our traditional pressure equipment, including heat exchangers, tanks, reactors and tower, is a kind of processing unit (加工裝置) designed to perform a specific function in the entire production line, and cannot generate finished products alone. Our traditional pressure equipment is principally static equipment (靜設備), which stay fixed on its place and has no dynamic parts, and are mainly applied in the downstream industries, such as chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas, electronic chemical industries.	(i) Water tanks installed at the construction sites for water storage and supply purposes. (ii) Specialised steel plate used in the production of aircraft and rocket fuselage shell.	The complete production machine (成套生產機器), including (i) lithium-ion battery cathode material production machine (鋰電池負極材料生產機器), (ii) LCD polarizers production machine (液晶面板偏光片生產機器); and (iii) kitchen waste composting machine (濕垃圾堆肥機), is a kind of standalone machine, through which finished products can be generated directly. The complete production machine is made up of a number of dynamic equipment (動設備) with driven mechanism, like compressor (壓縮機), electric motor (電動馬達), bearings (軸承) and gearing structure (傳動結構), and it is mainly applied in the semiconductor, lithium-ion battery and waste sorting industries.	N/A	N/A	(1) Mixer (攪拌器). (2) Nuclear pressure equipment (核壓力設備), including shell and tube heat exchanger (管殼式熱交換器), safety box for injection (安注箱), volume control tank (容控箱) and pressure relief tank (卸壓箱), which are used for nuclear power plant construction (核島建設). The nuclear pressure equipment shall subject to the Rules of Design and Manufacture of Pressurized Water Reactor Nuclear Power Plant Equipment (壓水堆核島機械設備設計和建造規則) and Rules of Quality Assurance and Safety for Nuclear Power Plant (核電廠品質保證安全規定), which are stricter than the general requirements of non-nuclear pressure equipment manufactured by our Group in respect of safety level, main body material (主體材料) and production environment.

	Our Group	Morimatsu Industry	Morimatsu Solar Technology	Morimatsu Chemical Equipment	Morimatsu Mixing	Morimatsu Pressure Vessel
Geographic markets	Our products are principally sold to the PRC, North America, Asia (excluding the PRC) and Europe.	Morimatsu Industry sells its products only in Japan.	Morimatsu Solar Technology principally sells its products in the PRC.	N/A	N/A	Morimatsu Pressure Vessel principally sells its products in the PRC.
Target customers	Large corporations which manufacture and sell petrochemical, electronic chemical and biomedical products and materials, and civilian polyester filament and other related personal care chemical products.	(i) construction companies in respect of Water Tanks and Water Supply Equipment Business; (ii) manufacturers of aircraft and rocket parts in respect of Aerospace Steel Plate Business.	Local corporations which manufacture and sell semiconductor materials and/ or provide environment protection service.	N/A	N/A	(i) Mixers: local manufacturers whose production process involving blending of raw materials (ii) Nuclear pressure equipment: state-owned nuclear engineering and/or construction corporations.
Production Technologies / qualifications	Our Group principally applies metal sheeting, cold forming and metal welding technology (板金、冷作及金屬焊接技術) and static equipment assembly technology (靜態設備組裝技術) during our production of traditional pressure equipment.	Morimatsu Industry principally applies (i) tungsten inert gas welding technology (鎢極惰性氣體保護焊技術) during its production of water tanks; and (ii) stamping and bending technology (衝壓彎曲技術) during its production of steel plate.	Morimatsu Solar Technology principally applies dynamic equipment integration assembly technology (動態設備集成組裝技術) during its production.	N/A	N/A	Morimatsu Pressure Vessel has obtained the Manufacture Permit for Civil Nuclear Safety Equipment (民用核安全設備製造許可證) issued by National Nuclear Safety Administration of the PRC (中國國家核安全局), which is the pre-condition to engage in the manufacture of nuclear pressure equipment in the PRC.

Financial Information of Other Businesses

		Year ended / As at 31 December				Nine months ended / As at 30 September
		2017	2018	2019		2020
		RMB'000	*RMB'000*	*RMB'000*		*RMB'000*
				Nine months ended / As at 30 September	*Three months ended / As at 31 December*	
Morimatsu Solar Technology[(1)]	Revenue	90,236	520,004	52,931	6,660	70,342
	Net Profit	11,480	80,157	948	(8,672)	15,017
	Total Assets	146,694	387,627	319,630	278,169	253,946
	Net Assets	8,751	69,913	60,311	60,703	76,236
Morimatsu Chemical Equipment[(1)]	Revenue	294,978	224,441	167,377	30,789	67,741
	Net Profit	(82,160)	(44,306)	(4,065)	1,611	12,034
	Total Assets	742,081	651,367	507,249	500,105	449,108
	Net Assets	492,761	448,455	424,282	420,995	433,343

		Year ended / As at 31 December			Nine months ended / As at 30 September
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Morimatsu Mixing[(2)]	Revenue	217,885	234,519	78,045	18,787
	Net Profit	52,979	24,406	(39,435)	(9,331)
	Total Assets	191,600	246,289	123,236	87,265
	Net Assets	38,896	86,564	48,342	39,671
Morimatsu Industry[(2)]	Revenue	1,051,952	989,786	1,103,670	608,281
	Net Profit	77,738	345,557	63,178	(1,206)
	Total Assets	2,228,349	3,384,080	3,340,817	2,997,987
	Net Assets	990,488	1,413,530	1,427,854	1,410,163

		Year ended / As at 31 December			Six months ended / As at 30 June
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Morimatsu Pressure Vessel[(3)]	Revenue	721,139	679,878	563,715	195,390
	Net Profit	20,746	43,019	72,541	11,530
	Total Assets	745,397	777,113	920,314	834,246
	Net Assets	343,859	291,606	366,098	289,714

Notes:

(1) The key financial information of Morimatsu Solar Technology and Morimatsu Chemical Equipment for the two years ended / as at 31 December 2017 and 2018 and the nine months ended / as at 30 September 2019 are extracted from the underlying data used in preparation of the Accountants' Report, while the key financial information of Morimatsu Solar Technology and Morimatsu Chemical Equipment for the three months ended / as at 31 December 2019 and the nine months ended / as at 30 September 2020 are extracted from their respective unaudited management accounts.

(2) The key financial information of Morimatsu Mixing and Morimatsu Industry during the Track Record Period are extracted from their respective unaudited management accounts.

(3) The key financial information of Morimatsu Pressure Vessel for the three years ended 31 December 2019 and the six months ended / as at 30 June 2020 is extracted from its unaudited management accounts. On 30 June 2020, Morimatsu Pressure Vessel was transferred to an Independent Third Party. For details, please refer to the paragraph headed "Delineation of Businesses — Morimatsu Mixing and Morimatsu Pressure Vessel" in this section.

RULE 8.10 OF THE LISTING RULES

None of the Controlling Shareholders nor our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) the day the Shares cease to be listed on the Stock Exchange; and

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

The Deed of Non-competition is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all the Shares in issue and to be issued under the Global Offering; and (ii) the obligations of the Underwriter(s) under the Underwriting Agreement becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriter(s)) and that the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

CORPORATE GOVERNANCE MEASURES

In order to manage any potential conflict of interests arising from the possible competing business between our Group and our Controlling Shareholders and to safeguard the interests of our independent Shareholders, we have adopted the following measures:

(i) our Board will ensure that any material conflict or potential conflict of interests involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable. A Director shall absent himself/herself from participation in the board meeting (nor shall he/she be counted in the quorum) and voting on any resolutions of our Board approving any contract, arrangement or other proposal in which he/she or any of his/her close associates is materially interested;

(ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, him/her to act for the benefit of our Company and our Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests;

(iii) we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser upon the Listing, which will provide advice and guidance to us with respect to compliance with the applicable laws and regulations, in particular, the Listing Rules;

(iv) our independent non-executive Directors will review, at least on an annual basis, compliance with the Deed of Non-competition by our Controlling Shareholders;

(v) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors in relation to the compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition;

(vi) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement to the public; and

(vii) pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company expects to comply with the Corporate Governance Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with shareholders. Our Company will state in our interim and annual reports whether we have complied with such code provisions, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

Our Directors consider that the above corporate governance measures are adequate and effective to manage any potential conflict of interests between our Group and our Controlling Shareholders and to protect the interests of our Shareholders.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions are expected to continue between our Group and the relevant connected persons, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

			Proposed annual cap for the year ending 31 December *(RMB million)*		
Transactions	**Applicable Listing Rules**	**Waiver sought**	**2021**	**2022**	**2023**
De minimis transaction					
Provision of 3D Drawing and Modeling Services to Morimatsu Industry	Rule 14A.76(1)(a)	N/A	N/A	N/A	N/A
Partially-exempt continuing connected transaction					
Lease of Shanghai Production Base from Morimatsu Chemical Equipment	Rule 14A.76(2)(a) Rule 14A.35 Rule 14A.105	Announcement	54.3	57.0	59.8

(A) DE MINIMIS TRANSACTION

Provision of 3D Drawing and Modeling Services to Morimatsu Industry

Morimatsu Industry is a Controlling Shareholder and therefore, Morimatsu Industry is a connected person of our Company under the Listing Rules.

During the Track Record Period, Morimatsu Heavy Industry utilised our CAD/CAM computer software to assist Morimatsu Industry for 3D drawing and modeling of their drinking water storage tanks used in construction industry and water plants (the "**3D Drawing and Modeling Services**"). The service fees incurred by Morimatsu Industry in respect of the 3D Drawing and Modeling Services provided by Morimatsu Heavy Industry were nil, approximately RMB719,000, RMB609,000 and RMB449,000 for the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020, respectively. It is expected that Morimatsu Heavy Industry will continue to provide the 3D Drawing and Modeling Services to Morimatsu Industry after Listing.

As all of the percentage ratios (other than the profit ratio) used to calculate the threshold for continuing connected transactions under the Listing Rules for the above transactions are less than 0.1% on an annual basis, these constitute de minimis connected transactions of the Company and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirement according to Rule 14A.76(1)(a) of the Listing Rules.

(B) PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Lease of Shanghai Production Base from Morimatsu Chemical Equipment

Morimatsu Chemical Equipment is a subsidiary of Morimatsu Seiki, which is a wholly-owned subsidiary of Morimatsu Industry, a Controlling Shareholder. Morimatsu Chemical Equipment is therefore a connected person of our Company under the Listing Rules.

Description of the transactions

We lease our Shanghai production base (the "**Shanghai Production Base**"), with total leaseable area of approximately 57,150.27 sq.m. as at the Latest Practicable Date, situated at No. 29 Jinwen Road, Zhuqiao Town, Pudong New District, Shanghai, the PRC from Morimatsu Chemical Equipment for our production operations. In order to regulate the lease arrangements between our Group and Morimatsu Chemical Equipment in anticipation of the Listing, our Company (for itself and on behalf of its subsidiaries) and Morimatsu Chemical Equipment entered into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") on 17 February 2021.

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

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

The following table sets out details of the individual lease agreements (the "**Current Individual Leases**") under the Property Leasing Framework Agreement as at the Latest Practicable Date:

Lessee	Commencement date of lease	Term	Leaseable area	Monthly rental (including tax)	Use of property
Morimatsu China	1 January 2021	One year	113.16 sq.m.	RMB15,171.36	Office
Morimatsu Heavy Industry	1 January 2021	One year	30,539.90 sq.m., including: • office: 5,256.59 sq.m. • production workshop: 25,283.31 sq.m.	RMB2,358,279.49	Office and production
Morimatsu Pharmaceutical Equipment	1 January 2021	One year	26,497.21 sq.m., including: • office: 6,053.79 sq.m. • production workshop: 20,443.42 sq.m.	RMB2,148,631.30	Office and production
Total	**–**	**–**	**57,150.27 sq.m.**	**RMB4,522,082.15**	**–**

Historical amount

For the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020, the total rental expenses (exclusive of tax) incurred by our Group for the lease of the Shanghai production base were approximately RMB19.1 million, RMB23.1 million, RMB46.9 million and RMB37.4 million, respectively. For the year ended 31 December 2020, the total rent expenses (exclusive of tax) incurred amounted to approximately RMB49.8 million. The increase in total rental expenses (exclusive of tax) incurred by our Group during the Track Record Period and up to 31 December 2020 was primarily attributable to the increase in the total area leased by our Group for the purpose of (i) expansion of our production capacity in order to support our growing business operations, and (ii) operations of the traditional pressure equipment manufacturing business as taken over by our Group from Morimatsu Chemical Equipment, respectively. In addition, the increase in the then prevailing market rent of local properties in Shanghai in the second half of 2018 resulted in the significant increase in the total rental expenses (exclusive of tax) from approximately RMB23.1 million for the year ended 31 December 2018 to approximately RMB46.9 million for the year ended 31 December 2019, along with the aforementioned increase in the total area leased.

Pricing policy

Pursuant to the Property Leasing Framework Agreement, the rents payable shall be determined after arm length's negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity, and shall be no less favourable than that offer by Independent Third Parties.

Annual caps

Our Directors estimate that the annual rent payable by us under the Property Leasing Framework Agreement (i) inclusive of tax for each of the three years ending 31 December 2023 will not exceed approximately RMB54.3 million, RMB57.0 million and RMB59.8 million, respectively; and (ii) exclusive of tax for each of the three years ending 31 December 2023 will not exceed approximately RMB49.8 million, RMB52.3 million and RMB54.9 million, respectively.

Basis for calculation of annual caps

In arriving at the above annual caps, our Directors have considered (i) the monthly rents payable by our Group under the Current Individual Leases; (ii) the prevailing market rates of the properties in the same locality with similar scale and quality; and (iii) the expected renewals of the Current Individual Leases with an estimate increase in annual rent of not exceeding 5%.

Cushman & Wakefield Limited, the independent property valuer of our Company, has confirmed that, (i) the rental payable under the Property Leasing Framework Agreement and the Current Individual Leases are fair and reasonable and within the general range of market rental of comparable properties in a similar location prevailing at the commencement of the Property Leasing Framework Agreement and the Current Individual Leases; (ii) the Property Leasing Framework Agreement and the Current Individual Leases are on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market terms and conditions; and the Property Leasing Framework Agreement and the Current Individual Leases are on terms that are fair and reasonable and in the interests of the Company, its wholly owned subsidiary and its shareholders as a whole.

Implications under the Listing Rules

As one or more than one of the percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules will on an annual basis be more than 0.1% but less than 5%, the Property Leasing Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company exempt from the independent shareholders' approval requirements and would require compliance with the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

WAIVER

The transactions under the Property Leasing Framework Agreement constitute continuing connected transactions for our Company, which are exempt from the independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. In respect of the transactions under the Property Leasing Framework Agreement, our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the opinion that (i) the transactions under the Property Leasing Framework Agreement have been and will be entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the transactions under the Property Leasing Framework Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the opinion that (i) the transactions under the Property Leasing Framework Agreement have been and will be entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the transactions under the Property Leasing Framework Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening the general meetings, reporting on the performance of our Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for profit distributions, and formulating proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed by our Articles and Association.

The following table sets forth the information in respect of the members of our Board:

Name	Age	Position	Roles and Responsibilities	Date of Joining Our Group	Date of Appointment as Director	Relationship with other Directors and senior management
Nishimatsu Koei (西松江英)	56	Chief executive officer and executive Director	Responsible for overseeing general management and daily operation of our Group	January 1998	1 September 2020	None
Hirazawa Jungo (平澤準悟)	37	Chief finance officer and executive Director	Responsible for overseeing financial planning and control, accounting operations and internal control systems of our Group	June 2020	1 September 2020	None
Tang Weihua (湯衛華)	51	Executive Director	Responsible for overseeing production operations (pharmaceutical and personal care chemical industries) of our Group	May 1999	1 September 2020	None
Sheng Ye (盛曄)	46	Executive Director	Responsible for overseeing production operations (chemical, oil and gas and mining and metallurgical industries) of our Group	October 1996	1 September 2020	None
Kawashima Hirotaka (川島宏貴)	50	Executive Director	Responsible for overseeing production safety and quality management and environmental, social and governance issues of our Group	October 2003	1 September 2020	None
Matsuhisa Terumoto (松久晃基)	57	Chairman and non-executive Director	Responsible for supervising the overall strategic planning of our Group	September 1993	1 September 2020	None

Name	Age	Position	Roles and Responsibilities	Date of Joining Our Group	Date of Appointment as Director	Relationship with other Directors and senior management
Chan Yuen Sau Kelly (陳遠秀)	50	Independent non-executive Director	Responsible for supervising the management of our Group and providing independent judgement to our Board	February 2021	10 February 2021	None
Kanno Shinichiro (菅野真一郎)	77	Independent non-executive Director	Responsible for supervising the management of our Group and providing independent judgement to our Board	February 2021	10 February 2021	None
Yu Jianguo (于建國)	60	Independent non-executive Director	Responsible for supervising the management of our Group and providing independent judgement to our Board	February 2021	10 February 2021	None

DIRECTORS

Executive Directors

Mr. Nishimatsu Koei (西松江英), aged 56, is an executive Director. Mr. Nishimatsu is also our chief executive officer responsible for overseeing general management and daily operation of our Group. Mr. Nishimatsu also holds directorship in Morimatsu China, Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry.

Mr. Nishimatsu has around 29 years of experience in pressure equipment industry. From April 1991 to November 2012, Mr. Nishimatsu served at Morimatsu Industry. He joined Morimatsu Industry as an officer of design department (設計部) and was promoted as the executive officer and the head of the overseas department (海外事業部) of Morimatsu Industry and was responsible for supervising the business expansion of Morimatsu Pressure Vessel in the PRC market. Mr. Nishimatsu is currently a director of Morimatsu Industry but he does not participate in its day-to-day operations. From January 1998 to December 2009, Mr. Nishimatsu served at Morimatsu Pressure Vessel. He joined Morimatsu Pressure Vessel as an officer and was subsequently promoted as the general manager of Morimatsu Pressure Vessel and was responsible for general operation and management of client relationship maintenance. From January 2008 to December 2010, he served as the general manager of Morimatsu Chemical Equipment and was responsible for overseeing its production operations. Since October 2010, Mr. Nishimatsu has served as the general manager of Morimatsu China and is responsible for its daily management operations.

Mr. Nishimatsu obtained a bachelor's degree in chemical and mechanical engineering from East China University of Science and Technology (華東理工大學) in the PRC in July 1985. He subsequently obtained a master's degree in business administration from China

Europe International Business School (中歐工商學院) in the PRC in July 2002. He was a recipient of the 2018 Magnolia Award (2018年白玉蘭紀念獎) issued by Foreign Affairs Office of the Shanghai Municipal People's Government (上海市人民政府外事辦公室) in September 2018.

Mr. Nishimatsu was a director of the following company at the time of its dissolution:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Status	Reason of Dissolution
Morimatsu Process Equipment	PRC	Provision of installation service of pressure equipment for Morimatsu Pharmaceutical Equipment	3 August 2018	Deregistered	Cessation of business

Mr. Nishimatsu confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, the above company was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above company.

Mr. Hirazawa Jungo (平澤準悟), aged 37, is an executive Director. Mr. Hirazawa is also our chief finance officer responsible for overseeing financial planning and control, accounting operations and internal control systems of our Group.

Mr. Hirazawa has around 12 years of experience in accounting, auditing and financial management. From April 2008 to March 2019, Mr. Hirazawa served at Juroku Bank Ltd (株式會社十六銀行) in Japan. He joined Juroku Bank Ltd as an officer and was subsequently promoted to a manager of the inspection department and was responsible for the management of corporate financing and financial compliance. In the periods from October 2014 to October 2017 and from April 2018 to March 2019, Mr. Hirazawa was seconded to Morimatsu Industry (being the client of Juroku Bank Ltd) and served as an accounting manager and the principal of the chairman's office (董事長室室長), respectively, where he was principally responsible for the accounting, auditing, corporate governance, financial consolidation management and general financial management of Morimatsu Industry. From April 2019 to June 2020, Mr. Hirazawa worked as a senior finance manager of Morimatsu Industry and was responsible for overseeing the financial planning, budget management and the general financial management. Since June 2020, Mr. Hirazawa has served as the supervisor of Morimatsu China.

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

Mr. Tang Weihua (湯衛華), aged 51, is an executive Director responsible for overseeing production operations (pharmaceutical and personal care chemical industries) of our Group. Mr. Tang also holds directorship in Morimatsu Pharmaceutical Equipment.

Mr. Tang has over 21 years of experience in pressure equipment industry. From July 1991 to May 1999, Mr. Tang worked as a pipeline engineer at Shanghai Petrochemical Installment and Maintenance Co., Ltd (上海石化安裝檢修工程有限公司) and was responsible for pipeline related technology support. In May 1999, Mr. Tang joined Morimatsu Pressure Vessel and has since worked in our Group. From May 1999 to May 2003, he held various positions in Morimatsu Pressure Vessel, including pipeline engineer (管道工程師) and head of pipeline team (管道組組長), and was responsible for providing technology support for pressure equipment production. In January 2003 Mr. Tang was appointed as the head of system engineering department (系統工程科科長) of Morimatsu Pharmaceutical Equipment and subsequently promoted as the general manager of Morimatsu Pharmaceutical Equipment since May 2008.

Mr. Tang obtained a bachelor's degree in water supply and drainage engineering from the University of South China (南華大學) (formerly known as Hengyang Institute of Technology (衡陽工學院)) in the PRC in June 1991. He subsequently obtained a master's degree in business administration from Fudan University (復旦大學) in the PRC in July 2007.

Mr. Tang was a director of the following companies at the time of their respective dissolution:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Status	Reason of Dissolution
Morimatsu Process Equipment	PRC	Provision of installation service of pressure equipment for Morimatsu Pharmaceutical Equipment	3 August 2018	Deregistered	Cessation of business
Shanghai Chenmao Chinese Medicine Engineering Technology Co Ltd (上海琛懋中醫藥工程技術有限公司)	PRC	Research and development of traditional Chinese medicine engineering	6 November 2012	Deregistered	Cessation of business
Morimatsu (Jiangsu) CNOOC Engineering Equipment Co., Ltd (森松(江蘇)海油工程裝備有限公司)	PRC	Manufacture and sales of offshore oil engineering equipment	9 December 2014	Deregistered	Merging with Morimatsu Heavy Industry in January 2014

Mr. Tang confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above companies.

Mr. Sheng Ye (盛曄), aged 46, is an executive Director responsible for overseeing production operations (chemical, oil and gas and mining and metallurgical industries) of our Group. Mr. Sheng also holds directorship in Morimatsu Heavy Industry.

Mr. Sheng has around 25 years of experience in pressure equipment industry. In October 1996, Mr. Sheng joined Morimatsu Pressure Vessel and has since worked in our Group. From October 1996 to October 2010, Mr. Sheng held various positions in Morimatsu Pressure Vessel, including development engineer (開發工程師), deputy chief of the sales department (銷售部副科長) and deputy head of technology department (技術部副部長), and was responsible for monitoring research and development of customised pressure equipment and overseeing sales and marketing operations. From October 2010 to February 2017, Mr. Sheng served at Morimatsu China. He joined Morimatsu China as a deputy head of technology department (技術部副部長) and was promoted as the head of technology department (技術部部長) and the principal of technology supporting centre (技術支持中心主任). Since October 2018, Mr. Sheng has served as the general manager of Morimatsu Heavy Industry and is responsible for supervising and management of sales, design and manufacture of new materials.

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

Mr. Kawashima Hirotaka (川島宏貴), aged 50, is an executive Director responsible for overseeing production safety and quality management and environmental, social and governance issues of our Group. Mr. Kawashima also holds directorship in Morimatsu China.

Mr. Kawashima has around 24 years of experience in pressure equipment industry. From March 1996 to October 2003, Mr. Kawashima served at Morimatsu Industry. He joined Morimatsu Industry as an officer of quality control department and was promoted as a manager of overseas department thereof in October 2003. In October 2003, he was designated to serve Morimatsu China and has since served as the head of production department (生產部部長), the principal of the chairman's office (董事長室室長) and vice general manger of Morimatsu China.

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

Mr. Kawashima was a director of the following company at the time of its dissolution:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Status	Reason of Dissolution
Morimatsu Process Equipment	PRC	Provision of installation service of pressure equipment for Morimatsu Pharmaceutical Equipment	3 August 2018	Deregistered	Cessation of business

Mr. Kawashima confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, the above company was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above company.

Non-executive Director

Mr. Matsuhisa Terumoto (松久晃基), aged 57, is a non-executive Director. Mr. Matsuhisa is also the chairman of our Board responsible for supervising the overall strategic planning of our Group but will neither be working on a full-time basis with our Group nor otherwise involved in the daily operation and management of our Group. He is one of our Controlling Shareholders. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of our Board.

Mr. Matsuhisa has over 30 years of experience in business operation and corporate management. After graduation in March 1986, Mr. Matsuhisa commenced his career with Morimatsu Industry. He then served from January 1989 to January 1992, as a chief of corporate planning department (經營企劃室長) of Morimatsu Industry, and from January 1992 to September 1993, as a head of the overseas business department (海外事業部部長) and the director thereof. Mr. Matsuhisa was appointed as the general manager of Morimatsu Pressure Vessel in September 1993 and subsequently as the executive vice president thereof in November 1997. Since August 2013, Mr. Matsuhisa ceased his management position in Morimatsu Pressure Vessel. Mr. Matsuhisa is currently the executive director and chief executive officer of Morimatsu Industry and holds various positions in the subsidiaries of Morimatsu Industry (other than our Group).

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

Mr. Matsuhisa was a director of the following companies at the time of their respective dissolution:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Status	Reason of Dissolution
Morimatsu (Jiangsu) CNOOC Engineering Equipment Co., Ltd (森松(江蘇)海油工程裝備有限公司)	PRC	Manufacture and sales of offshore oil engineering equipment	9 December 2014	Deregistered	Merging with Morimatsu Heavy Industry in January 2014
Research Institution	Japan	Holding intellectual property rights for Morimatsu Industry	2 November 2015	Deregistered	Merging with Morimatsu Technology in November 2015

Mr. Matsuhisa confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above companies.

Independent Non-executive Directors

Ms. Chan Yuen Sau Kelly (陳遠秀), aged 50, was appointed as our independent non-executive Director on 10 February 2021. Ms. Chan is responsible for supervising the management of our Group and providing independent judgement to our Board. She is also the chairperson of the audit committee and a member of the remuneration committee of our Board.

Ms. Chan has around 28 years of experience in auditing and accounting. From July 1992 to September 2001, Ms. Chan served at Deloitte Touche Tohmatsu and was responsible for provision of auditing and management advisory services to listed companies. From October 2001 to August 2007, Ms. Chan was a director and financial controller of Heineken Hong Kong Limited (喜力香港有限公司) ("**Heineken HK**"), a beer manufacturer, where she was responsible for the financial management and accounting functions. Heineken HK was then a subsidiary of Heineken N.V. (Stock code: HEIA) and is currently a subsidiary of China Resources Beer (Holdings) Company Limited (華潤啤酒(控股)有限公司) (Stock Code:291), a company principally engaged in the manufacture and sales of beer whose shares are listed on the Stock Exchange. From August 2007 to October 2018, Ms. Chan served at Moët Hennessy Diageo Hong Kong Limited (酩悦軒尼詩帝亞吉歐洋酒香港有限公司) ("**MHD HK**") with

the last position as the finance director. MHD HK is a subsidiary of LVMH Moët Hennessy Louis Vuitton SE (stock code: MC), a company principally engaged in provision of high quality products in luxury market whose shares are listed on the Euronext N.V. In October 2018, Ms. Chan established Peony Consulting Services Limited in Hong Kong, which is principally engaged in provision of business advisory services, and has since served as its managing director.

Ms. Chan obtained a bachelor's degree in accountancy from the City Polytechnic of Hong Kong (香港城市理工學院) (currently known as City University of Hong Kong (香港城市大學)) in November 1992. Ms. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants ("**ACCA**") and the Hong Kong Institute of Directors.

Ms. Chan was the President of ACCA Hong Kong in 2008-2009 and is currently the President of the Association of Women Accountants (Hong Kong). In October 2020, Kelly was appointed as a Justice of the Peace by the HKSAR Government in recognition of her remarkable public services and contribution to the community.

Mr. Kanno Shinichiro (菅野真一郎), aged 77, was appointed as our independent non-executive Director on 10 February 2021. Mr. Kanno is responsible for supervising the management of our Group and providing independent judgement to our Board. He is also a member of the audit committee and nomination committee of our Board.

Mr. Kanno has over 54 years of experience in the financial and banking industry. From April 1966 to March 2002, Mr. Kanno worked at the Industrial Bank of Japan Ltd ("**IBJ**") and held various positions, including counsellor of several branch offices in Japan, manager and the chief representative of the Shanghai branch office, the director and chairman of the Chinese committee (中國委員會), and the executive director and senior counsellor of IBJ, and was principally responsible for developing new financial products, analysing financial policies, and facilitating and monitoring the expansion of the financial services of IBJ in the PRC market. In April 2002, IBJ and two other Japanese banks merged into a new entity, namely, Mizuho Financial Group (株式会社みずほファイナンシャルグープ) ("**MF**") whose shares are listed on several stock exchanges, including the Tokyo Stock Exchange (stock code: 8411) and the New York Stock Exchange (stock code: MFG), and he then served from April 2002 to August 2002 as the chief executive officer of Mizuho Human Service Ltd, a subsidiary of MF in Japan, and from September 2002 to August 2012 as an advisor of Mizuho Bank Ltd (瑞穗銀行有限公司), a subsidiary of MF in Japan. Since September 2012, he served in the Tokyo International University (東京國際大學) and is currently an adjunct professor (客座教授) thereof.

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

Mr. Yu Jianguo (于建國), aged 60, was appointed as an independent non-executive Director on 10 February 2021. Mr. Yu is responsible for supervising and providing independent judgement to our Board. He is also the the chairman of the remuneration committee and a member of the nomination committee of our Board.

Mr. Yu has over 22 years of experience in chemical and environmental protection industries. Mr. Yu is a tutor of East China University of Science and Technology (華東理工大學) ("**ECUST**") for doctoral candidates. He had served a number of roles and positions in

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

As at the Latest Practicable Date, Mr. Yu is a non-executive director of Ganfeng Lithium Co., Ltd (江西贛峰鋰業股份有限公司) (stock code: 1772), whose shares are listed on the Stock Exchange.

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

Disclosure Required under Rule 13.51(2) of the Listing Rules

Save as disclosed above and in the section headed "Relationship with Our Controlling Shareholders", none of our Directors:

(i) held any other positions in our Company or other members of our Group as of the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date and other major appointments and professional qualifications.

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus and "Statutory and General Information — C. Further Information about our Directors and

Substantial Shareholders" in Appendix VI to this prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Nishimatsu Koei (西松江英). Please refer to the paragraphs headed "– Directors – Executive Directors" above in this section for details of biography of Mr. Nishimatsu.

Mr. Hirazawa Jungo (平澤準悟). Please refer to the paragraphs headed "– Directors – Executive Directors" above in this section for details of biography of Mr. Hirazawa.

JOINT COMPANY SECRETARIES

Mr. Lee Kenneth Hoi Nap (李凱納), aged 35, was appointed as a joint company secretary of our Company on 25 September 2020. Mr. Lee has over 10 years of experience in the accounting and financial management industry. In February 2009, Mr. Lee joined Morimatsu Industry as a management trainee and was assigned to a job rotation. From February 2009 to July 2010, Mr. Lee served as an accountant of Morimatsu Industry and was responsible for account management. From July 2010 to June 2016, Mr. Lee was designated as a financial manager of Morimatsu China and was responsible for overseeing financial analysis, feasibility study, accounting and financial compliance. From June 2016 to November 2017, Mr. Lee served as the chief finance officer of Pharmadule Sweden and was responsible for financial planning and financial risks management. From November 2017 to June 2020, Mr. Lee was designated as the financial manager of Morimatsu Industry and was responsible for collection and reporting of financial and accounting information of our overseas companies to Morimatsu Industry. Since June 2020, for purpose of the Listing, Mr. Lee was designated back to our Company as a manager and is responsible for management of accounting and compliance matters.

Mr. Lee obtained a dual bachelor's degree in laws and commerce from the University of New South Wales in Australia in August 2007. He subsequently obtained a master's degree in professional accounting and corporate governance from the City University of Hong Kong in Hong Kong in October 2017. Mr. Lee was admitted as a lawyer of the Supreme Court of New South Wales in February 2015 and was also admitted as a certified practising accountant from the Australian Society of Certified Practising Accountants in December 2018.

As Mr. Lee does not possess the qualifications as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules, we have applied for and have been granted a waiver by the Stock Exchange from strict compliance with the aforementioned Listing Rules. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (WUMP) Ordinance" in this prospectus for details.

Ms. Lau Wai Yee (劉惠儀), aged 55, was appointed as a joint company secretary of our Company on 25 September 2020. Ms. Lau is a director of Immanuel Consulting Limited, a licensed company service provider specialising in integrated business and corporate services. Ms. Lau has over 32 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Lau is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and fellow of The Hong Kong Institute of Directors. Ms. Lau has been appointed as the company secretary of Shanghai Realway Capital Assets Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 1835) since 13 October 2019.

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company pursuant to a resolution of our Board on 10 February 2021 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to make recommendations to our Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of our Company. The members of the audit committee are Ms. Chan Yuen Sau Kelly, Mr. Kanno Shinichiro and Mr. Matsuhisa Terumoto. Ms. Chan Yuen Sau Kelly is the chairperson of the audit committee.

Remuneration Committee

A remuneration committee was established by our Company pursuant to a resolution of our Board on 10 February 2021 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of our Directors determine their own remuneration. The members of the remuneration committee are Mr. Yu Jianguo, Ms. Chan Yuen Sau Kelly and Mr. Matsuhisa Terumoto. Mr. Yu Jianguo is the chairman of the remuneration committee.

Nomination Committee

A nomination committee was established by our Company pursuant to a resolution of our Board on 10 February 2021 with written terms of reference in compliance with the Corporate

Governance Code. The primary duties of the nomination committee are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to our Board regarding candidates to fill vacancies on our Board and/or in senior management. The members of the nomination committee are Mr. Matsuhisa Terumoto, Mr. Kanno Shinichiro and Mr. Yu Jianguo. Mr. Matsuhisa Terumoto is the chairman of the nomination committee.

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of director's fee, salaries, allowances and benefits in kind, discretionary bonuses and contributions to retirement benefit schemes.

The aggregate remuneration paid to our Directors for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 were approximately RMB4.2 million, RMB4.6 million, RMB5.9 million and RMB12.1 million, respectively.

The aggregate remuneration paid to the five highest paid individuals of our Group, excluding our Directors, for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 were approximately RMB2.1 million, RMB2.5 million, RMB2.5 million and RMB3.6 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of remuneration of payable to our Directors for the year ending 31 December 2021 is estimated to be approximately RMB36.8 million (excluding any discretionary bonus).

THE PRE-IPO SHARE OPTION SCHEME AND THE POST-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme and conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Other Information" in Appendix VI to this prospectus.

CORPORATE GOVERNANCE CODE

Board Diversity

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth support the execution of our business strategy. Pursuant to our board diversity policy, selection of Board candidates will be based on a range

of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experiences, including business management, quality control, administration and management, manufacture and research and development of pressure vessels and finance, auditing and accounting experiences. Our Board members also obtained degrees in various majors including business administration, chemical and mechanical engineering, metallurgical engineering, water supply and drainage engineering, electronics engineering and business and commerce. Furthermore, the ages of our Directors range from 37 years old to 77 years old. While we recognise that gender diversity at our Board level can be improved given one out of nine of our Directors is female upon the Listing, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole, and we have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. After the Listing, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of 20% female representation in our Board, during the period of which we are listed on the Stock Exchange. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee quarterly in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of our corporate governance.

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.45 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Bonus Issue assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme, the following persons will have or be deemed or taken to have beneficial interests and/or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our Group:

Name	Nature of interest	Number of Shares/underlying Shares immediately after the Global Offering and the Bonus Issue[1]	Approximate percentage of interest in our Company immediately after the Global Offering and the Bonus Issue
Morimatsu Industry	Beneficial owner	750,000,000 (L)	75%
Morimatsu Holdings [2]	Interest in a controlled corporation	750,000,000 (L)	75%
Mr. Matsuhisa Terumoto [2][3]	Interest in a controlled corporation	750,000,000 (L)	75%
	Beneficial owner	16,810,000 (L)	1.68%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Morimatsu Industry is wholly owned by Morimatsu Holdings. Mr. Matsuhisa Terumoto holds 80% of the voting shares of Morimatsu Holdings, and is therefore deemed to be interested in Shares held by Morimatsu Industry.

(3) 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, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering and the Bonus Issue (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme), have beneficial interests or short positions in any of our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As part of the International Placing, our Company has entered into cornerstone investment agreements with four cornerstone investors, details of which are set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**").

The Cornerstone Investors have agreed to subscribe, at the Offer Price, for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for with an aggregate amount up to approximately US$28.00 million (based on the high end of the indicative Offer Price range of HK$3.92).

Assuming an Offer Price of HK$2.48 (being the low end of the indicative Offer Price range set out in this prospectus), the Cornerstone Investors have agreed to subscribe for an aggregate of 87,533,000 Offer Shares, representing (a) approximately 8.75% of the total number of Shares in issue and approximately 35.01% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is not exercised); and (b) approximately 8.44% of the total number of Shares in issue and approximately 30.45% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is exercised in full).

Assuming an Offer Price of HK$3.20 (being the mid-point of the indicative Offer Price range set out in this prospectus), the Cornerstone Investors have agreed to subscribe for an aggregate of 67,838,000 Offer Shares, representing (a) approximately 6.78% of the total number of Shares in issue and approximately 27.14% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is not exercised); and (b) approximately 6.55% of the total number of Shares in issue and approximately 23.59% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and Bonus Issue (assuming the Over-allotment Option is exercised in full).

Assuming an Offer Price of HK$3.92 (being the high end of the indicative Offer Price range set out in this prospectus), the Cornerstone Investors have agreed to subscribe for an aggregate of 55,378,000 Offer Shares, representing (a) approximately 5.54% of the total number of Shares in issue and approximately 22.16% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is not exercised); and (b) approximately 5.34% of the total number of Shares in issue and approximately 19.26% of the total number of Offer Shares, in each case immediately following the completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option is exercised in full).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the cornerstone investment will help to signify the confidence of the Cornerstone Investors in the business and prospect of our Group. It also ensures a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering which helps to raise the profile of our Company.

The investments made by the Cornerstone Investors pursuant to their respective cornerstone investment agreements will form part of the International Placing. Our Directors confirmed that there will not be any deferred settlement in payment or deferred delivery of the Shares to be subscribed by the Cornerstone Investors, and all investment payment will be settled on or before the Listing. The Offer Shares to be delivered to each of the Cornerstone Investors pursuant to their relevant cornerstone investment agreements will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange and will count towards the public float of our Company under Rule 8.08 of the Listing Rules.

The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around 12 March 2021.

To the best knowledge of our Company and as confirmed by each Cornerstone Investor, save for Huayou HK and Jingzhirui Suzhou, the associates of whom have been the customers of our Group, as disclosed in the section below, each Cornerstone Investor is an Independent Third Party, is not a connected person of our Company and is not an existing Shareholder or a close associate (as defined in the Listing Rules). Immediately following the completion of the Global Offering and the Bonus Issue, none of the Cornerstone Investors will become a substantial Shareholder of our Company. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent of each other and makes independent investment decisions. Our Group became acquainted with the Cornerstone Investors through either (i) associates of them, which are customers or potential business partner of our Group or (ii) the introduction by certain other Cornerstone Investor.

The Company confirms that (i) there was no side agreement or arrangement between such Cornerstone Investors and our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the cornerstone investment; (ii) none of the Cornerstone Investors are accustomed to take instructions from our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of their subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of their subsidiaries or their respective close associates.

The Cornerstone Investors (a) will not have any representation on our Board immediately following the completion of the Global Offering and the Bonus Issue; (b) will not subscribe for any Offer Shares pursuant to the Global Offering, other than pursuant to the relevant cornerstone investment agreements; and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements.

As confirmed by each Cornerstone Investor, its subscription under the cornerstone investment would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the cornerstone investment and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

DETAILS OF THE CORNERSTONE INVESTORS

			Based on the Offer Price of HK$2.48 (being the low end of the indicative Offer Price range)					
			Percentage to the initial number of the International Placing Shares		Approximate % of total number of Offer Shares		Approximate % of total number of Shares in issue immediately following the completion of the Global Offering and the Bonus Issue	
Cornerstone Investor	**Investment Amount[1]** *(US$ million)*	**Number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares)[2]**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
Huayou HK	10.00	31,262,000	13.89%	11.91%	12.50%	10.87%	3.13%	3.01%
Dialog Malaysia	8.00	25,009,000	11.12%	9.53%	10.00%	8.70%	2.50%	2.41%
Jingzhirui Suzhou	5.00	15,631,000	6.95%	5.95%	6.25%	5.44%	1.56%	1.51%
Hwa-An HK	5.00	15,631,000	6.95%	5.95%	6.25%	5.44%	1.56%	1.51%
Total	**28.00**	**87,533,000**	**38.91%**	**33.34%**	**35.01%**	**30.45%**	**8.75%**	**8.44%**

			Based on the Offer Price of HK$3.20 (being the mid-point of the indicative Offer Price range)					
			Percentage to the initial number of the International Placing Shares		Approximate % of total number of Offer Shares		Approximate % of total number of Shares in issue immediately following the completion of the Global Offering and the Bonus Issue	
Cornerstone Investor	**Investment Amount[1]** *(US$ million)*	**Number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares)[2]**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
Huayou HK	10.00	24,228,000	10.77%	9.23%	9.69%	8.43%	2.42%	2.34%
Dialog Malaysia	8.00	19,382,000	8.61%	7.38%	7.75%	6.74%	1.94%	1.87%
Jingzhirui Suzhou	5.00	12,114,000	5.38%	4.61%	4.85%	4.21%	1.21%	1.17%
Hwa-An HK	5.00	12,114,000	5.38%	4.61%	4.85%	4.21%	1.21%	1.17%
Total	**28.00**	**67,838,000**	**30.14%**	**25.83%**	**27.14%**	**23.59%**	**6.78%**	**6.55%**

			Based on the Offer Price of HK$3.92 (being the high-end of the indicative Offer Price range)					
			Percentage to the initial number of the International Placing Shares		Approximate % of total number of Offer Shares		Approximate % of total number of Shares in issue immediately following the completion of the Global Offering and the Bonus Issue	
Cornerstone Investor	**Investment Amount[1]** *(US$ million)*	**Number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares)[2]**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
Huayou HK	10.00	19,778,000	8.79%	7.53%	7.91%	6.88%	1.98%	1.91%
Dialog Malaysia	8.00	15,822,000	7.03%	6.03%	6.33%	5.50%	1.58%	1.53%
Jingzhirui Suzhou	5.00	9,889,000	4.40%	3.77%	3.96%	3.44%	0.99%	0.95%
Hwa-An HK	5.00	9,889,000	4.40%	3.77%	3.96%	3.44%	0.99%	0.95%
Total	**28.00**	**55,378,000**	**24.62%**	**21.10%**	**22.16%**	**19.26%**	**5.54%**	**5.34%**

Notes:

1. The aggregate amount of the investment contributed by the Cornerstone Investors does not include brokerage, SFC transaction levy, and Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Placing Shares to be subscribed by them.

2. The investment amount and number of the Offer Shares are calculated based on the exchange rate of US$1.00 to HK$7.753.

The following information on the Cornerstone Investors was provided to our Company by the Cornerstone Investors.

Information about Huayou HK

Huayou HongKong Holding Limited (華友控股(香港)有限公司) ("**Huayou HK**") is a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of Zhejiang Huayou Holdings Group Co., Ltd (浙江華友控股集團有限公司) ("**Zhejiang Huayou**"), which was established in 2006 and is ultimately controlled by Mr. Chen Xuehua (陳雪華), an independent third party. Zhejiang Huayou and its subsidiaries, including Huayou HK, are principally engaged in the business in the mining and metallurgical industries, such as development of cobalt and nickel resources, metallurgical processing and recycling of non-ferrous and research of lithium battery materials. Zhejiang Huayou is one of the controlling shareholders of Zhejiang Huayou Cobalt Co., Ltd (浙江華友鈷業股份有限公司) ("**Huayou Cobalt**"), which is a company listed on the Shanghai Stock Exchange (stock code: 603799) and has been a customer of our Group purchasing our pressure equipment since March 2019.

Information about Jingzhirui Suzhou

Jingzhirui (Suzhou) Microelectronic Technology Co., Ltd (晶之瑞(蘇州)微電子科技有限公司) ("**Jingzhirui Suzhou**"), a limited liability company established in the PRC, is principally engaged in manufacture, sales and development of microelectronic materials. Jingzhirui Suzhou is wholly-owned by Jingrui (Hubei) Microelectronic Materials Co., Ltd (晶瑞(湖北)微電子材料有限公司), which is in turn owned by Hubei Changjiang (Qianjiang) Industrial Investment Fund Partnership (LLP) (湖北長江(潛江)產業投資基金合夥企業(有限合夥)) ("**Hubei Investment LLP**") and Suzhou Crystal Clear Chemical Co., Ltd (蘇州晶瑞化學股份有限公司) ("**Suzhou Jingrui**") as to 65% and 35%, respectively.

Hubei Investment LLP is an investment fund established in the PRC with an investment focus on the upstream and downstream of the microelectronic materials industry. Hubei Investment LLP is owned by two limited partners, namely, Hubei Jianghan Industrial Development Investment Co., Ltd (湖北江漢產業發展投資有限公司) ("**Jianghan Investment**") and Hubei Province Yangtze River Economic Belt Industrial Guide Fund Partnership (LLP) (湖北省長江經濟帶產業引導基金合夥企業(有限合夥)) ("**Hubei Guide Fund LLP**"), and one general partner, Ma'anshan Cornerstone Fujiang Assets Management Co., Ltd (馬鞍山基石浦江資產管理有限公司) ("**Fujiang Assets**"), as to 50%, 49% and 1%,

respectively. Jianghan Investment and Hubei Guide Fund LLP are ultimately controlled by the government of Qianjiang city (潛江市政府) and the State-Owned Assets Supervision and Administration Commission of Hubei Province People's Government (湖北省人民政府國有資產監督管理委員會), respectively.

Suzhou Jingrui is a public company listed on the Shenzhen Stock Exchange (stock code: 300655) and is principally engaged in the manufacture, sales and research and development of microelectronic chemicals (微電子化學品). Suzhou Jingrui has been a customer of our Group purchasing our pressure equipment since October 2017. Suzhou Jingrui, Morimatsu Solar Technology and an Independent Third Party jointly established Anhui Jingrui Microelectronic Materials Co., Ltd (安徽晶瑞微電子材料有限公司) ("**Anhui Jingrui**"), a limited liability company established in the PRC in January 2020. Anhui Jingrui was owned by Suzhou Jingrui, an Independent Third Party and Morimatsu Solar Technology as to 51%, 34% and 15%, respectively. Anhui Jingrui has not commenced business operations since its establishment. To the best of our Directors' knowledge, information and belief after making reasonable enquires and as confirmed by Jingzhirui Suzhou, Suzhou Jingrui does not require any approval from the Shenzhen Stock Exchange, nor its shareholders, to indirectly invest in our Company through Jingzhirui Suzhou.

Information about Dialog Malaysia

Dialog Corporate Sdn Bhd ("**Dialog Malaysia**") is a limited liability company incorporated in Malaysia and is a wholly-owned subsidiary of Dialog Group Berhad ("**Dialog Berhad**"), which was incorporated in 1984 in Malaysia and is a public company listed on the Main Market of Bursa Malaysia (stock code: 7277). Dialog Berhad is an integrated technical service provider in the oil, gas and petrochemical industry, with a diverse range of customers that include multinational oil majors, national oil companies as well as multinational engineering and service providers. To the best of our Directors' knowledge, information and belief after making reasonable enquires and as confirmed by Dialog Malaysia, Dialog Berhad does not require any approval from the Bursa Malaysia, nor its shareholders, to indirect invest in our Company through Dialog Malaysia. Our Group is exploring with a subsidiary of Dialog Berhad to establish a joint venture company in Malaysia for purpose of establishing a new production base in Malaysia. For details of the plan, please refer to the section headed "Business — Trade Tension Between China And The United States" in this prospectus.

Information about Hwa-An HK

Hwa-An International Limited ("**Hwa-An HK**") is a limited liability company incorporated in Hong Kong and is principally engaged in investment with a focus on technology research and development, financial leasing of mechanical equipment and engineering sectors. Hwa-An HK is ultimately controlled by Mr. Shi Jiangang (施建剛) ("**Mr. Shi**"), an Independent Third Party.

Mr. Shi is a PRC national and a friend of a chief executive of Jingzhirui Suzhou. They know each other through mutual acquaintance in the chemical industry. Mr. Shi is experienced in private equity and funds investment focusing on high-technology and mechanical and

engineering sectors. Mr. Shi has previous investment experience in a number of listed and private companies in the PRC with investment focus on industries including new energy and high-tech businesses. Mr. Shi is also the ultimate controlling shareholder of Jiangsu Feymer Technology Co., Ltd (江蘇富淼科技股份有限公司), which is a public company listed on the Shanghai Stock Exchange (stock code: 688350) and is principally engaged in research and development, manufacture and sales of functional monomers, water-soluble polymers, water treatment membranes and membrane applications.

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to subscribe, and the obligation of our Company to issue and deliver, the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

(a) the Hong Kong Underwriting Agreement and International Underwriting Agreement having been entered into and become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these agreements, and neither of the Hong Kong Underwriting Agreement and International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (as well as other applicable waivers and approvals) and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the relevant cornerstone investment agreement and there being no orders or injunctions from a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions; and

(e) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement remaining accurate and true in all respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of our Company, the Sole Sponsor and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**") dispose of, in any way, any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the forgoing securities, or agree or contract to, or publicly announce any intention to enter any such transaction described above.

SHARE CAPITAL

All of the issued shares in our Company comprise fully paid ordinary shares. Pursuant to the Companies Ordinance, with effect from 3 March 2014, companies incorporated in Hong Kong no longer have an authorised share capital and there is no longer the concept of par value in respect of issued shares.

As at the date of this prospectus, our Company's issued and paid-up share capital was HK$100,000.

Assuming the Over-allotment Option is not exercised, the following is a description of the number of Shares issued by our Company immediately upon completion of the Global Offering and the Bonus Issue:

Issued and to be issued, fully paid or credited as fully paid

Shares in issue at the date of this prospectus	200,000
Shares to be issued pursuant to the Bonus Issue	749,800,000
Shares to be issued pursuant to the Global Offering	250,000,000
Shares in total	1,000,000,000

Assuming the Over-allotment Option is exercised in full, the following is a description of the number of Shares issued by our Company immediately upon completion of the Global Offering and the Bonus Issue:

Issued and to be issued, fully paid or credited as fully paid

Shares in issue at the date of this prospectus	200,000
Shares to be issued pursuant to the Bonus Issue	749,800,000
Shares to be issued pursuant to the Global Offering	250,000,000
Shares to be issued pursuant to the Over-allotment Option	37,500,000
Shares in total	1,037,500,000

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering. It takes no account of any Shares, which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates of any Shares referred to below.

MINIMUM PUBLIC FLOAT

At least 25% of the total number of issued Shares must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Offer Shares, Shares to be issued pursuant to the Bonus Issue and the Shares that may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme are ordinary shares in our share capital and rank *pari passu* with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of issue of such Share.

THE PRE-IPO SHARE OPTION SCHEME AND THE POST-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme and conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Other Information" in Appendix VI to this prospectus.

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted by our then sole Shareholder a general unconditional mandate to allot, issue or deal with Shares with a total number of Shares of not more than the aggregate of:

(i) 20% of the aggregate number of Shares in issue and to be issued immediately following completion of the Global Offering and the Bonus Issue (excluding any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme); and

(ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate as referred to below.

The issuing mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws in Hong Kong to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such authority.

For more information on this issuing mandate, please refer to the section headed "Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 3. Written Resolutions of our then Sole Shareholder Passed on 10 February 2021" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted by our then sole Shareholder a general unconditional mandate to exercise all powers of our Company to repurchase not more than 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Bonus Issue (excluding Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares may be listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules and all other applicable laws, regulations and rules.

The repurchase mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company; or
- the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws in Hong Kong to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such authority.

For more information on this repurchase mandate, please refer to the section headed "Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 3. Written Resolutions of our then Sole Shareholder Passed on 10 February 2021" in Appendix VI to this prospectus.

You should read this section in conjunction with our combined financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The accountants' report has been prepared in accordance with the HKFRSs. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC offering traditional pressure equipment, modular pressure equipment and value-added services associated with the pressure equipment, with a strong market position in the PRC. We offer comprehensive pressure equipment tailored to address specific requirements of our customers, which generally comprise design, procurement, manufacturing, installation, testing and commissioning, and after-sales technical support. Our pressure equipment is customised based on customers' requirements on a project basis.

Traditional pressure equipment is used in industrial production to complete the production process of reaction, mass transfer, heat transfer, separation and storage, and can withstand pressure loads (internal and external pressure), according to F&S Report. The types of traditional pressure equipment we offer mainly include heat exchangers, tanks, reactors and towers. Leveraging our expertise in designing and manufacturing traditional pressure equipment, we started offering modular pressure equipment in 2005. Modular pressure equipment is a system of facilities that integrate pressure vessels and other facilities, equipment or devices into one module, operate independently to achieve one or more relatively complete process flows, and can be transported, hoisted and installed as a whole, according to F&S Report. Our products are widely applied in a broad range of downstream industries, primarily including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries.

During the Track Record Period, we, by way of Demerger, disposed of our interest in Morimatsu Chemical Equipment and Morimatsu Solar Technology. For details, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation – 4. The Demerger" and "Relationship with our Controlling Shareholders – Delineation of Businesses" in this prospectus.

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our revenue from Continuing Operations was approximately RMB1,570.1 million, RMB2,467.9 million, RMB2,826.3 million and RMB2,014.0 million, respectively, whilst our profit from Continuing Operations was approximately RMB14.8 million, RMB146.5 million, RMB140.9 million and RMB221.2 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in Hong Kong on 23 July 2019 as a company with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of Hong Kong. To rationalise the corporate structure in preparation of the Listing, our Group underwent the Reorganisation. Upon the completion of the Reorganisation on 11 November 2020, our Company became the holding company of the Group. Our financial information has been prepared and presented as a continuation of the combined financial information of the Group. Our financial information has been prepared in accordance with HKFRSs. Our Group has adopted all applicable new and revised HKFRSs, including HKFRS 15, Revenue from Contracts with Customers and HKFRS 9, Financial Instruments, which are mandatory for the financial year beginning 1 January 2018, and HKFRS 16 Leases, which is mandatory for the financial period beginning on 1 January 2019, to the Track Record Period. The accounting policies have been applied consistently throughout the Track Record Period and our Group has not adopted any new standards or interpretations that are not effective for the Track Record Period. The adoption of HKFRS9, HKFRS 15 and HKFRS 16 did not have any significant impact on our financial position or results of operations during the Track Record Period when compared to that of HKAS 39, HKAS 18 and HKAS 17. For further details, please refer to Note 1 to the Accountants' Report as set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in the section headed "Risk Factors" in this prospectus and those discussed below:

Demand in our downstream industries

We sell pressure equipment to customers in a broad range of downstream industries, mainly including chemical, pharmaceutical, personal care chemical, mining and metallurgical, oil and gas and electronic chemical industries. The growth of our revenue largely depends on the demands in these downstream industries, and any downturn in any of these downstream industries could adversely affect our results of operations. According to the F&S Report, driven by increasing expenditure of healthcare, improvement of research and development capability, a series of supporting policies such as "Made in China 2025" and increasing investment in the pharmaceutical industry in China, the sales revenue of pharmaceutical industry in China experienced a rapid growth, increasing from RMB350.3 billion to RMB856.4 billion, representing a CAGR of approximately 19.6% from 2014 to 2019. Prompted by the market growth, our revenue from Continuing Operations derived from

pharmaceutical industry increased by approximately 69.8% from approximately RMB224.5 million in 2017 to approximately RMB381.1 million in 2018, and further increased by approximately 89.2% to approximately RMB720.9 million in 2019. Meanwhile, due to the rapid development of fine chemicals and the increasing demands for specialty chemicals in PRC chemical industry from 2014 to 2019, and the increased demand from our customers in chemical industry from 2017 to 2019, our revenue from Continuing Operations derived from chemical industry also increased by approximately 40.8% from approximately RMB479.9 million in 2017 to approximately RMB675.9 million in 2018, further increased by approximately 90.0% to approximately RMB1,284.2 million in 2019. On the other hand, due to decreased demand from certain of our customers in oil and gas industry, our revenue from Continuing Operations derived from oil and gas industry decreased by approximately RMB105.4 million, or 48.2%, from approximately RMB218.7 million in 2017 to approximately RMB113.3 million in 2018, and further decreased by approximately RMB17.6 million, or 15.5%, to approximately RMB95.7 million in 2019.

To manage concentration risk and cyclical changes in our downstream industries, we review and endeavour to optimise our downstream industries coverage from time to time. In the coming years, we plan to further explore opportunities in industries such as information and communication technology to diversify our product portfolio such as data centre. In addition, to cater for constantly evolving technology required in the industries of our customers, we keep ourselves up-to-date with market trends and adapt accordingly by developing or implementing the latest technologies into our products and/or services on a timely basis. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, we incurred approximately RMB87.2 million, RMB120.7 million, RMB126.1 million and RMB74.9 million in research and development, representing approximately 5.6%, 4.9%, 4.5% and 3.7% of our revenue from Continuing Operations, respectively.

Cost of our raw materials and direct labour

Cost of raw materials and consumables used and direct labour incurred for productions are the main components of our cost of sales. The principal raw materials procured by us are steel materials such as steel plates, steel pipes and forgings, and the principal parts and components procured by us include valves, meters, pipe fittings and pumps. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our total cost of raw materials and consumables amounted to approximately RMB738.9 million, RMB1,328.2 million, RMB1,510.1 million and RMB926.3 million, representing approximately 57.4%, 67.9%, 67.9% and 64.6% of our total costs of sales of Continuing Operations, respectively. Any significant movement in the price of major raw materials and consumables that we use in our production could affect our cost of sales and, accordingly, our gross profit margin if we cannot pass on the cost increase to our customers.

To mitigate the impact of raw material price fluctuations on our gross profit margin, we generally maintain long-term cooperative relationships with our major suppliers of materials, which allow us to enjoy stronger bargaining power and help us to reduce our exposure to price fluctuations and ensure the quality of materials we procure. In addition, we maintain at least

two alternative suppliers for each of our key raw materials and consumables in the PRC and overseas to better control our cost when raw materials and consumables in one market fluctuates.

In addition, direct labour cost accounted for approximately 14.2%, 12.1%, 11.3% and 14.3% of our cost of sales of Continuing Operations for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. Our staff cost may increase in the future as a result of rising labour costs in the PRC and the expansion of our operations.

Foreign Currency Exchange Rates

Our business operations are mainly based in the PRC, and RMB is our functional and reporting currency. We sell pressure equipment to the PRC as well as a number of overseas countries. While a substantial portion of our cost of sales and operating expenses are denominated in RMB, our sales to overseas countries are usually denominated in foreign currencies, such as USD, EUR and JPY. Also, we obtained borrowings from banks and related parties denominated in foreign currencies, such as JPY and USD during the Track Record Period. Therefore, we are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, we had net foreign exchange losses from Continuing Operations of approximately RMB7.0 million, RMB12.9 million, RMB11.9 million and RMB18.6 million, respectively. During the Track Record Period, we entered into several forward foreign exchange transactions to hedge our foreign currency exposure by fixing the exact amount of Renminbi we would receive for the sale of our US dollar upon maturity. For more details, please refer to the paragraph headed "— Off-Balance Sheet Arrangements" in this section. We have adopted the foreign exchange hedging policy to assess the risks of and to ensure proper authorisation on the hedging transactions. For more details, please refer to the section headed "Business – Risk Management and Internal Control — Internal control on hedging transactions" in this prospectus. If foreign currencies received or to be received from our overseas customers for our products and/or services depreciate against RMB or foreign currencies paid or to be paid to our creditors appreciate against RMB, our financial condition and results of operation will be adversely affected. Fluctuations in exchange rates between the RMB and other foreign currencies may also affect the translation of our non-RMB denominated assets and liabilities into RMB when we prepare our financial statements and may result in foreign exchange gains or losses which will eventually affect our financial condition and results of operation.

Preferential tax rates

Our subsidiaries, Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry, have obtained the certificate of High Technology Enterprises and are currently entitled to a preferential income tax rate of 15% on their taxable income, respectively. The qualification of Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry as High Technology Enterprises is currently valid through November 2018 to November 2021 and December 2018 to December 2021, respectively. Given that most of our Group's revenue was and is expected

to be generated by such PRC operating subsidiaries during the Track Record Period and in future, respectively, such entitlement to preferential tax rate will have a substantial impact on our Group's results of operations, given that the difference between the preferential tax rate (15%) and non-preferential tax rate (25%) is relatively significant. In the event that this preferential tax treatment is discontinued, these subsidiaries will become subject to a 25% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability.

CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

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

We have identified certain accounting policies and estimates that we believe are significant to the preparation of our combined financial statements and the understanding of our results of operations and financial conditions. The significant accounting policies and estimates applied in the preparation of our combined financial statements are set out below:

Revenue Recognition

We recognised revenue from contracts with customers when (or as) a performance obligation is satisfied. i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Control is transferred over time and revenue is recognised over time measuring to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;
- our Group's performance creates or enhances an asset that the customer controls as our Groups performs; or
- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

We design and manufacture the pressure equipment in accordance with the customer's specification which does not have an alternative use to our Group. Under contracts for which our Group has a right to be paid for work done to date in the event a customer decides to cancel the contract before the contract was fully completed, revenue arising from the contract, and a corresponding contract asset, are recognised progressively over time. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional.

The progress towards complete satisfaction of a performance obligation is mainly measured based on cost to cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenue is recognised when the customer takes possession of and accepts the products.

For the sale of customised pressurized equipment that our Group does not have the right to be paid for work performed to date, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenue is recognised when the customer takes possession of and accepts the products. For the sale of raw materials and scrap materials, revenue is recognised at a point in time when the customer obtains control of the products, which is generally when the customer takes possession of and accepts the products.

Control may be transferred either at a point in time or over time, depending on the contractual terms in which the parties to the contract have presently enforceable rights and obligations. Under our Group's business model during the Track Record Period, contract terms for sales of products or projects undertaken are negotiated case-by-case.

Below are some examples of typical sales contracts for illustration purposes of our Group's revenue recognition:

Examples	**Revenue recognition**
Our Group creates a pressure equipment or provides pressure equipment design, validation, and maintenance service in accordance with the customer's specification which does not have an alternative use, i.e. the pressure equipment is not largely interchangeable with other assets and could not be transferred to another customer without breaching the contract or incurring significant incremental costs, during the creation. The assessment of whether an asset has an alternative use is made at contract inception and is not subsequently updated, unless a contract modification substantially changes the pressure equipment original order. The Group has right to payment - i.e. a right to recover costs incurred plus a reasonable profit margin during the creation.	Over time

Examples	Revenue recognition
Same as the over time example above, our Group creates a pressure equipment or provides pressure equipment design, validation, and maintenance service in accordance with the customer's specification which does not have an alternative use. Different from the over time example above, our Group can only recover the costs when customer obtains control of the distinct good or service.	Point in time
Our Group creates a pressure equipment or provides pressure equipment design, validation, and maintenance service which has an alternative use - i.e. the pressure equipment can be transferred to another customer without breaching the contract nor incurring significant incremental costs, during the creation.	Point in time

Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of our Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Inventories

We recognise inventories at the lower of cost and net realisable value. Cost of raw material is calculated using the weighted average cost formula, cost of work in progress is calculated using the specific identification method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, we recognise the carrying amount of those inventories as an expense in the period in which we recognise the related revenue.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Property, plant and equipment

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

– Right-of-use assets arising from leases over leasehold properties where our group is not the registered owner of the property interest; and

– Items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses.

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

Credit losses and impairment of assets

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

We recognise a loss allowance for expected credit losses ("**ECLs**") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets as defined in HKFRS 15; and
- lease receivables.

Other financial assets measured at fair value, including equity and debt securities measured at fair value through profit or loss, and derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. We measure credit losses as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that our Group expects to receive).

We measure ECLs on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

We always measure loss allowances for trade receivables, lease receivables and contract assets at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, we recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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

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

(ii) Impairment of other non-current assets

We review internal and external sources of information at the end of each relevant period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets; and

– investment in subsidiaries in our Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Discontinued operations

A discontinued operation is a component of our Group's business, the operations and cash flows of which can be clearly distinguished from the rest of our Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation; and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Our significant accounting policies and judgements are set out in details in Notes 2 and 3 to the Accountants' Report as set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our combined statements of profit or loss and other comprehensive income for the Track Record Period, as derived from the Accountants' Report as set out in Appendix I to this prospectus.

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing Operations					
Revenue	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957
Cost of sales	(1,286,665)	(1,955,935)	(2,223,441)	(1,623,108)	(1,433,464)
Gross profit	283,432	511,934	602,889	477,281	580,493
Other income/(loss)	19,434	13,237	7,067	(11,404)	(4,675)
Selling and marketing expenses	(35,784)	(77,424)	(88,074)	(59,718)	(47,878)
General and administrative expenses	(151,258)	(143,562)	(223,322)	(157,208)	(186,599)
Research and development expenses	(87,246)	(120,683)	(126,146)	(90,909)	(74,867)
Profit from operations	28,578	183,502	172,414	158,042	266,474
Finance costs	(8,641)	(5,506)	(6,381)	(5,014)	(7,842)
Shares of results of associate	9,414	(119)	–	–	–
Profit before taxation	29,351	177,877	166,033	153,028	258,632
Income tax	(14,577)	(31,423)	(25,087)	(23,926)	(37,434)
Profit from Continuing Operations	14,774	146,454	140,946	129,102	221,198
Discontinued Operations					
(Loss)/profit from Discontinued Operation (net of income tax)	(23,094)	(20,667)	5,673	5,673	–
(Loss)/profit for the year/period	(8,320)	125,787	146,619	134,775	221,198
Attributable to:					
Equity shareholders of the Company	7,100	116,223	149,104	137,260	221,198
Non-controlling interests	(15,420)	9,564	(2,485)	(2,485)	–
(Loss)/profit for the year/period	(8,320)	125,787	146,619	134,775	221,198

NON-HKFRS MEASURE

To supplement our combined financial statements which are presented in accordance with HKFRSs, we also use a non-HKFRS measure, adjusted profit/(loss) for the year/period, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it enables us to measure our profitability without taking into consideration of certain one-off or non-cash items.

The following table reconciles our adjusted profit/(loss) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit for the year/period	(8,320)	125,787	146,619	134,775	221,198
Add:					
Share-based payment	–	–	–	–	20,260
Listing expense	–	6,256	4,735	1,470	14,098
Adjusted (loss)/profit for the year/period*(Note)*	**(8,320)**	**132,043**	**151,354**	**136,245**	**255,556**

Note: We define "adjusted (loss)/profit for the year/period" as loss or profit for the year/period by adding back share-based payment and listing expense. We exclude these items because (i) share-based payment is a non-cash item (i.e. it is not expected to result in cash payment); and (ii) listing expense is non-recurring in nature, and they are not indicative of our core operation results and business outlook. Potential investors should be aware that the adjusted (loss)/profit for the year/period measure presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation. The use of adjusted (loss)/profit for the year/period has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

DESCRIPTION OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated revenue primarily by selling pressure equipment comprising traditional pressure equipment and modular pressure equipment. Our revenue primarily represents the net invoiced value of our product sold or services provided excluding value added tax or other sales taxes, less trade discounts. Our revenue is recognised when control over a product or service is transferred to our customer.

Our revenue from Continuing Operations demonstrated an upward trend throughout the Track Record Period. The key factors leading to the consecutive increase are set out below:

1. Increasing demand from downstream industries

Our revenue from Continuing Operations derived from chemical industry and pharmaceutical industry amounted to approximately RMB704.4 million, RMB1,057.0 million, RMB2,005.1 million and RMB1,308.0 million, representing approximately 44.9%, 42.8%, 70.9% and 64.9% of our total revenue from Continuing Operations, for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. Our revenue growth for the three years ended 31 December 2019 was partly attributable to the increased demand from chemical industry and pharmaceutical industry.

According to F&S Report, the global crude oil and raw material of bulk commodity plummeted from 2014 to first half of 2016 which affected the profitability of chemical enterprises. As result, there had been a decreasing demand from customers in chemical industry during that time as most of them had postponed their plan for expansion of production capacity. However, some favorable policies over chemical industry after the "13th Five-Year Plan" were introduced since the second half of 2016 which led to a growing demand from chemical industry. Those favorable policies over chemical industry included "Made in China 2025 action plan" and "Development Plan of Petrochemical and Chemical Industries (2016-2020)", which clarified the development goals of petrochemical and chemical industries during the period of 2016 to 2020. In addition, the upgrading of chemical industry and the development of fine chemicals and new materials also made the demand for new production equipment in the chemical industry continue to grow during that time. Moreover, according to F&S Report, there is a growing demand in pharmaceutical industry in recent years. Driven by increasing expenditure of healthcare, improvement of research and development capability, and supporting policy to increase investment in the pharmaceutical industry in China, the sales revenue of pharmaceutical industry in China experienced a rapid growth, increasing with a CAGR of approximately 19.6% from 2014 to 2019. In addition, in recent years, the new version of the Good Manufacturing Practices (GMP) of pharmaceuticals has greatly enhanced the requirements for the production environment of pharmaceuticals. Many pharmaceutical manufacturers need to improve their production processes, rebuild workshops, and purchase new equipment that can meet the requirements put forward by new version of GMP. Leveraging our leading position in chemical and pharmaceutical industry, ranking the third and fourth amongst the pressure equipment manufacturer and provider of integrated pressure equipment solution in pharmaceutical and chemical industry in the PRC in terms of sales revenue in 2019, we were able to seize opportunities of market growth and achieve consecutive revenue growth in such industries.

In addition, the significant increase in our revenue from Continuing Operations in 2018 was also contributed by the increase in revenue generated from electronic chemical industry, mainly brought by the rising demand of reduction furnace in 2018, which is the key equipment for the purification for electronic chemical material, in the PRC market.

2. Our strategy to participate in projects with relatively high gross profit margin

In addition, our revenue growth was partly attributable to our strategy to participate in projects with relatively high gross profit margin since the second half of 2017. Our utilisation rate for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 was approximately 99.9%, 95.0%, 97.1% and 76.7%, respectively. Since our production utilisation rate reached approximately 99.9% for the year ended 2017, our management strategically tendered or selected projects with higher gross profit margin to enhance our return while gradually expanding our production capacity in 2018 and 2019. As a result, in addition to the increase in our revenue, we also recorded an increase in our gross profit margin in 2018 and 2019.

3. Our marketing efforts

We devoted more time and resources into our marketing activities in 2018 as compared to 2017. Accordingly, our selling and marketing expenses of Continuing Operations increased by approximately RMB41.6 million, or 116.4%, in 2018, and further increased by approximately RMB10.7 million, or 13.8%, in 2019. Benefiting from the increasing demand in downstream industries and our marketing efforts, the new contract number we received from our customers increased by approximately 45.8% in 2018 as compared to 2017, and further increased by approximately 2.1% in 2019 as compared to 2018. In addition, we have recruited additional marketing and sales staff during the Track Record Period to promote our products and enhance marketing activities including the following:

(i) Enhanced frequency of communications with key customers

We increased the frequency to visit our key customers to understand their business needs, and provide them with technical and design advice and collect their feedbacks on our products and services. To assist in the implementation of such marketing strategy, we recruited additional 159 and 241 sales and marketing staff in 2018 and 2019, respectively, with technical know-how of the downstream industry who regularly exchange technical information with our key customers.

(ii) Attending trade fairs and seminars to promote our products

We devote more time to attend domestic and international trade fairs and seminars, including International Pharmaceutical Expo, ISPE Boston Product Show, China Bioindustry Convention, to enhance our brand recognition among potential customers. In addition, we organised a series of seminars and invited potential customers to attend, and offered factory tour to potential customers to present our manufacturing process and skills, and competitive strength.

(iii) Products promoting through internet and other media channels

We promote our products and services through internet and other media channels, including (i) email marketing, (ii) word-of-mouth promotion, including customers referrals; and (iii) company brochures and corporate introduction video.

According to the F&S Report, the pressure equipment industry in China was relatively fragmented with around 200 market players, that can produce similar categories of traditional pressure equipment and modular pressure equipment with the company. With the top five manufacturers and solution service providers of integrated pressure equipment solutions accounting for approximately 10.0% of total sales revenue of pressure equipment in China in 2019. Due to the facts that (i) we were one of the market leaders, particularly we were the fifth largest manufacturer of traditional pressure equipment in the PRC in terms of sales revenue in 2019; and (ii) our competitive advantages including our strong research and development capabilities, strong design and innovation ability, our manufacturing capability, rich customer resources, and international qualifications, enable us to compete effectively with other market players, during the Track Record Period, we recorded a consecutive growth in sales of traditional pressure equipment, which significantly outpaced the industry CAGR of 4.7% for the period from 2014 to 2019.

Products and Services

The table below sets out the breakdown of revenue from our Continuing Operations by product/service categories for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2017		**2018**		**2019**		**2019**		**2020**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Traditional Pressure equipment	544,592	34.7	1,059,704	42.9	1,647,930	58.3	1,244,683	59.2	1,110,199	55.1
– heat exchangers	131,079	8.3	304,513	12.3	671,261	23.8	466,721	22.2	326,696	16.2
– tanks	128,376	8.2	126,049	5.1	341,550	12.1	240,327	11.4	286,179	14.2
– reactors	70,455	4.5	502,319	20.4	506,988	17.9	428,402	20.4	414,723	20.6
– towers	214,682	13.7	126,823	5.1	128,131	4.5	109,233	5.2	82,601	4.1
Modular Pressure equipment	954,647	60.8	1,337,045	54.2	1,076,133	38.1	814,969	38.8	848,651	42.1
– process modules and skids *(Note 1)*	953,499	60.7	1,286,593	52.1	896,702	31.7	629,890	30.0	669,701	33.3
– modular factories *(Note 2)*	1,148	0.1	50,452	2.1	179,431	6.4	185,079	8.8	178,950	8.8
Value-added services *(Note 3)*	29,466	1.9	31,955	1.3	24,939	0.9	18,339	0.9	39,873	2.0
Others *(Note 4)*	41,392	2.6	39,165	1.6	77,328	2.7	22,398	1.1	15,234	0.8
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Notes:

1. A process module or skid generally refers to an assembly of pressure vessel products with other components in structure. Process module is designed to realise a certain process or a function and needs to be assembled with other process modules to achieve relatively complete process flows, and a skid usually contains a complete process system and multiple skids can be combined to create larger process systems or entire portable plants.

2. A modular factory is assembled by multiple process modules or skids, which are manufactured in our factory and transported to customer site and then assembled into a factory.

3. Value-added services include design, validation and maintenance service.

4. Others mainly include sales of raw materials and scrap materials.

Our revenue from Continuing Operations increased by approximately RMB897.8 million, or 57.2%, from approximately RMB1,570.1 million for the year ended 31 December 2017 to approximately RMB2,467.9 million for the year ended 31 December 2018, primarily reflected by the increases in the revenue from traditional pressure equipment business and modular pressure equipment business. Our revenue from Continuing Operations then further increased to approximately RMB2,826.3 million for the year ended 31 December 2019 primarily due to the increase in revenue generated from sales of traditional pressure equipment, partially offset by the decrease in revenue generated from sales of modular pressure equipment during the same year. The decrease in our revenue from sales of modular pressure equipment in 2019 was mainly due to the decreased sales of modular pressure equipment to personal care chemical industry, primarily reflected by (i) the decrease in our sales of modular pressure equipment made to customer A of approximately RMB299.8 million as we delivered a large amount of modular pressure equipment to customer A in 2018 for its manufacturing facilities for personal care chemical product in the U.S. and Japan, whereas, we had no projects with large contract amount delivered to customer A in 2019. Customer A was our largest customer in 2017 and 2018, the majority of revenue derived from which was contributed by sales of modular pressure equipment; and (ii) the decrease in our sales of modular pressure equipment made to one of our customers, a global company selling fast-moving consumer goods, of approximately RMB92.0 million mainly because the modular pressure equipment of a purchase order placed by such customer for its manufacturing facility for personal care liquid located in Pakistan was delivered in 2018, while the site installation for such modular pressure equipment was carried out in 2019, and thus relatively low revenue was recognised in 2019 as compared to 2018. Our revenue from Continuing Operations decreased slightly by approximately RMB86.4 million, or 4.1%, from approximately RMB2,100.4 million for the nine months ended 30 September 2019 to approximately RMB2,014.0 million for the nine months ended 30 September 2020, mainly because of the decrease in the sales of traditional pressure equipment. For detailed analysis of fluctuation in gross profit margin by products and services, please refer to the paragraph headed "— Results of our Continuing Operations" in this section.

Downstream Industries

We undertake projects in a variety of downstream industries. The following table sets forth the breakdown of revenue from our Continuing Operations by end application for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Chemical	479,905	30.6	675,874	27.4	1,284,233	45.4	958,149	45.6	772,555	38.4
Pharmaceutical	224,543	14.3	381,141	15.4	720,891	25.5	538,953	25.7	535,424	26.6
Personal care chemical	511,627	32.6	608,466	24.7	239,052	8.5	182,598	8.7	168,345	8.4
Mining and metallurgical	2,170	0.1	47,570	1.9	116,986	4.1	98,497	4.7	171,623	8.5
Oil and gas	218,742	13.9	113,258	4.6	95,656	3.4	76,679	3.7	163,430	8.1
Electronic chemical	92,162	5.9	552,519	22.4	79,005	2.8	79,001	3.8	21,603	1.1
Others *(Note)*	40,948	2.6	89,041	3.6	290,507	10.3	166,512	7.8	180,977	8.9
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Note: Others primarily include shipping industry, water treatment industry and food industry.

Chemical. Our revenue from Continuing Operations derived from chemical industry recorded continuous growth for the three years ended 31 December 2019. Such growths were primarily due to a growing demand from this industry and our market efforts. In particular, the significant increase in 2019 was primarily attributable to (i) the increased purchase orders of reactors and heat exchangers placed by customer H which is principally engaged in provision of petrochemical products; (ii) the increased purchase orders of heat exchangers placed by customer K which is a Chinese petrochemical company; (iii) the increased purchase orders of reactors placed by one of our customers which is mainly engaged in engineering EPC in China; (iv) the increased purchase orders of reactors placed by one of our customers engaging in manufacture and sales of chemical and architecture equipments; and (v) the increased purchase orders of reactors and tanks placed by one of our customers for its production facilities in the PRC. Our revenue from Continuing Operations derived from chemical industry decreased by approximately RMB185.5 million, or 19.4%, from approximately RMB958.1 million for the nine months ended 30 September 2019 to approximately RMB772.6 million for the nine months ended 30 September 2020. This was mainly due to (i) the decreased revenue derived from customer F of approximately RMB123.4 million, which was mainly because (a) most products in relation to two projects of customer F in mainland China was delivered in 2019, thus relatively low revenue was recognised in 2020; and (b) the new project of customer F is expected to start bidding in 2021 due to the relatively long life cycle of our product, which led to less purchase orders from customer F in 2020; and (ii) the decreased revenue derived from customer H of approximately RMB90.4 million mainly due to the delay of the delivery of some purchase orders with relatively high contract value as

required by the customer, partially offset by the increased revenue derived from customer C primarily attributable to three new purchase orders with an aggregated amount of approximately RMB94.4 million.

Pharmaceutical. Prompted by the market growth, our revenue from Continuing Operations derived from pharmaceutical industry increased rapidly for the three years ended 31 December 2019. Our revenue from Continuing Operations derived from pharmaceutical industry increased by approximately 69.7% from 2017 to 2018, which was mainly contributed by (i) a few purchase orders from new customers engaging in pharmaceutical industry in the PRC we acquired in 2017 and 2018 due to our continuous marketing efforts, revenue from which was mostly recognised in 2018; and (ii) a purchase order of a modular pressure equipment containing all parts required for functioning and performance from one of our customers in the U.S., which focuses on developing, manufacturing and delivering innovative human therapeutics. Our revenue from Continuing Operations derived from pharmaceutical industry further increased by approximately 89.1% in 2019 as compared to 2018, which was mainly driven by (i) revenue generated from certain new purchase orders of modular pressure equipment from customer I engaging in manufacture and sales of blood and biomedical products; and (ii) a significant increase in revenue recognised from the project of modular pressure equipment in the U.S. mentioned above in 2019 as compared to 2018. Revenue from continuing operation derived from pharmaceutical industry remained relatively stable for the nine months ended 30 September 2019 and 2020.

Personal care chemical. Our revenue from Continuing Operations derived from personal care chemical industry increased by approximately 18.9% from 2017 to 2018 primarily attributable to (i) a purchase order of modular pressure equipment from one of our customers, which is a global company selling fast-moving consumer goods, for a manufacturing facility for personal care liquid located in Pakistan; and (ii) a purchase order of modular pressure equipment for a Chinese company in personal care chemical industry from one of our customers which is mainly engaged in engineering EPC, engineering design, consultation and supervision in various industries and countries. Our revenue from Continuing Operations derived from personal care chemical industry decreased significantly by approximately 60.7% in 2019 as compared to 2018, primarily due to a significant decrease in sales made to customer A, our largest customer in 2017 and 2018. Purchase amount from such customer depends largely on its global business strategy, over which we have no control. Our revenue from Continuing Operations derived from personal care chemical industry decreased by approximately 7.8% for the nine months ended 30 September 2020 as compared to the same period in 2019, mainly because the products of purchaser order placed by the EPC provider mentioned above was fully delivered before 2020, and therefore only very limited revenue in relation to the acceptance check was recognised for the nine months ended 30 September 2020.

Mining and metallurgical. We recorded a small amount of revenue from Continuing Operations from mining and metallurgical industry for the year ended 31 December 2017. Such revenue increased significantly in 2018 mainly due to a purchase order of fabricated and fitted-out relocatable modules from one of our customers, which is a provider of mineral processing and associated infrastructure solutions to the global resources industry, for a

modular coal processing facility in Australia built for its customer. Our revenue from Continuing Operations from mining and metallurgical industry experienced further growth in 2019 as we received a purchase order of reactors of a relatively large contract value from a new customer in the PRC, for its production base in Indonesia. Our revenue from Continuing Operations from mining and metallurgical industry remained at a high level for the nine months ended 30 September 2020 primarily due to a purchase order of reactors from customer N, an engineering company, for a metallurgical project it undertook in Indonesia.

Oil and gas. Our revenue from Continuing Operations derived from oil and gas industry decreased by approximately 48.2% from 2017 to 2018, and further decreased by approximately 15.5% in 2019. Such decreases was primarily due to the continuous decreases in revenue from oil and gas projects located in Kuwait and Algeria. Our revenue from Continuing Operations derived from oil and gas industry increased by approximately 113.1% from the nine months ended September 2019 to the nine months ended September 2020 mainly contributed by (i) two purchase orders of modular pressure equipment placed by one of our customers for a project it undertook in mainland China; and (ii) three purchase orders of modular pressure equipment placed by one of our customers for projects it undertook in Brazil and Kuwait.

Electronic chemical. Our revenue from Continuing Operations derived from electronic chemical industry was particularly high in 2018 mainly as a result of strong sales growth of customer E and customer G, both of which are primarily engaging in manufacturing electronic chemical products in the PRC. Such increase was mainly due to the rising demand of reduction furnace in 2018, which is the key equipment for the purification for electronic chemical material, in the PRC market. However, we did not obtain similar purchase orders with large amount in 2019. Our revenue from Continuing Operations derived from electronic chemical industry further decreased by approximately 72.7% from the nine months ended September 2019 to the nine months ended September 2020 mainly due to that a purchase order of reduction furnace placed by one of our customers was fully delivered before 2020, and therefore no relevant revenue was recognised for the nine months ended 30 September 2020.

Others. Our revenue from Continuing Operations derived from other industries increased significantly in 2019 mainly attributable to purchase orders of one type of tanks, which was usually used to reduce fuel sulphur emissions. Such orders were placed by customer C which intended to capture the business opportunity brought by the tightening of the limit on sulphur in fuel oil proposed by the International Maritime Organisation ("**IMO**") in November 2016. IMO has implemented the tightened limit for sulphur in fuel oil used on all board ships in the globe of 0.50% m/m (mass by mass) since 1 January 2020.

Geographical Location

The following table sets forth the breakdown of our revenue from Continuing Operations by geographical location based on the location at which our products/services were delivered/provided for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Mainland China	538,327	34.3	1,541,984	62.5	1,787,099	63.2	1,275,649	60.7	1,063,150	52.8
North America	475,778	30.3	430,558	17.4	411,759	14.6	338,962	16.1	104,296	5.2
Asia (excluding mainland China)	313,685	20.0	347,284	14.1	297,506	10.5	230,783	11.0	516,310	25.6
Europe	195,582	12.5	22,344	0.9	241,909	8.6	180,061	8.6	233,725	11.6
Others *(Note)*	46,725	2.9	125,699	5.1	88,057	3.1	74,934	3.6	96,476	4.8
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Note: Others mainly included Brazil, Chile, Argentina and Peru in South America, Algeria, Nigeria and South Africa in Africa and Australia in Oceania.

For the three years ended 31 December 2019, the increase in our overall revenue from Continuing Operations was mainly contributed by the increase in our revenue in mainland China, while the decrease in our revenue from Continuing Operations for the nine months ended 30 September 2020 as compared to the same period in 2019 was primarily due to the decreased revenue generated from Mainland China and North America.

Mainland China. Our revenue from Continuing Operations derived from the mainland China contributed over 50.0% of our total revenue from Continuing Operations during the Track Record Period except for 2017. Our revenue from Continuing Operations derived from the mainland China increased significantly by approximately RMB1,003.7 million, or 186.5%, from 2017 to 2018, primarily due to the significant growth in revenue from projects in electronic chemical, chemical, personal care chemical and pharmaceutical industries in the PRC. Approximately 46.0% of our increased revenue from Continuing Operations derived from mainland China was contributed by electronic chemical industry especially Customer E and Customer G, both of which are principally engaged in manufacturing electronic chemical products. Such increase was mainly due to the rising demand of reduction furnace in 2018, which is the key equipment for the purification for electronic chemical material, in the PRC market. Chemical industry contributed approximately 37.2% of our increased revenue from Continuing Operations derived from mainland China due to the increasing demand from chemical industry and our market efforts, which was mainly contributed by Customer F, Customer H and one of our customers which is mainly engaged in manufacture and sales of chemical products. In addition, each of pharmaceutical and personal care chemical industry contributed approximately 7.5% of our increased revenue from Continuing Operations

derived from mainland China, which was primarily due to (i) a few purchase orders from two new customers engaging in pharmaceutical industry acquired in 2017 and 2018 due to our continuous marketing efforts; and (ii) a purchase order of modular pressure equipment for a Chinese company in personal care chemical industry from one of our customers which is an EPC provider.

Our revenue from Continuing Operations derived from the mainland China further increased by approximately RMB245.1 million, or 15.9%, for the year ended 31 December 2019, mainly due to the continuous growth in the sales made in chemical and pharmaceutical industries in the PRC, partially offset by the decreased sales made to customers in electronic chemical and personal care chemical industries in the PRC during the same year. Leveraging our leading position in chemical and pharmaceutical industry, we were able to seize market opportunities and achieve further revenue growth in such industries in 2019. In particular, (i) the increased revenue generated from Customer H and Customer K in chemical industry accounting for approximately 149.0% of our increased revenue from Continuing Operations derived from mainland China; and (ii) the increased revenue generated from Customer I in pharmaceutical industry with a contribution of approximately 81.8% of our increased revenue from Continuing Operations derived from mainland China, partially offset by a decreased revenue generated from Customer E in electronic chemical industry, with a negative impact of approximately 116.1% of our increased revenue from Continuing Operations derived from mainland China.

Our revenue from continuing operations derived from mainland China decreased by approximately RMB212.5 million, or 16.7%, for the nine months ended September 2020 mainly due to the decrease in the sales made in chemical and electronic chemical industries in the PRC, partially offset by the increased sales made to customers in pharmaceutical industry in the PRC during the same period. In particular, (i) the decreased revenue generated from Customer F and Customer H in chemical industry accounting for approximately 109.3% of our decreased revenue from Continuing Operations derived from mainland China; and (ii) the decreased revenue generated from one of our customer in electronic chemical industry with a contribution of approximately 30.3% of our decreased revenue from Continuing Operations derived from mainland China, partially offset by an increased revenue generated from Customer L in pharmaceutical industry, with an negative impact of approximately 76.4% of our decreased revenue from Continuing Operations derived from mainland China.

North America. Our revenue from Continuing Operations derived from North America remained relatively stable for the three years ended 31 December 2019 and then decreased sharply from approximately RMB339.0 million for the nine months ended 30 September 2019 to approximately RMB104.3 million for the nine months ended 30 September 2020. Such decrease was primarily due to an additional 25% tariff on certain of our products imposed by the U.S. since July 2018, August 2018 and May 2019, respectively, which in turn, reduced the competitiveness of our products in the U.S. The majority of our sales to North America was contributed by our sales to the U.S.

Asia (excluding mainland China). Our revenue from Continuing Operations derived from Asia (excluding mainland China) remained relatively stable during three years ended 31 December 2019. Our revenue from Continuing Operations derived from Asia (excluding mainland China) significantly increased from approximately RMB230.8 million for the nine months ended 30 September 2019 to approximately RMB516.3 million for the nine months ended 30 September 2020, primarily due to the significant increase in revenue generated from a few chemical and metallurgical projects in Indonesia contributed by customer C and customer N. A majority of our sales in Asia (excluding mainland China) were derived from Japan, Kuwait, India, Vietnam, Singapore, Indonesia, Pakistan and Malaysia during the Track Record Period.

Europe. Our revenue from Continuing Operations derived from Europe decreased sharply from approximately RMB195.6 million in 2017 to approximately RMB22.3 million in 2018 primarily due to fewer products delivered to Europe in 2018, which was mainly reflected by the decreases in revenue generated from Customer C and one of our customers engaging in homecare products in personal care chemical industry. Our revenue from Continuing Operations derived from Europe then increased to approximately RMB241.9 million for the year ended 31 December 2019, primarily because of (i) new purchases orders of one type of tanks placed by customer C; and (ii) a purchase order of modular pressure equipment from one of our customers in Switzerland, which is primarily engaging in pharmaceutical industry, a substantial portion of revenue generated from which was recognised in 2019. Our revenue from Continuing Operations derived from Europe increased from approximately RMB180.1 million for the nine months ended 30 September 2019 to approximately RMB233.7 million for the nine months ended 30 September 2020, mainly because more tanks purchased by the customer mentioned above were delivered, which was partially offset by the decrease in the revenue from Switzerland. A majority of our sales in Europe were derived from Finland, Russia, Sweden and Switzerland during the Track Record Period.

Customer Classification

The table below sets out the breakdown of revenue from our Continuing Operations by customer classification for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		**2018**		**2019**		**2019**		**2020**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Project owners	1,012,706	64.5	2,075,534	84.1	2,029,165	71.8	1,644,952	78.3	1,371,063	68.1
Non-project owners	557,391	35.5	392,335	15.9	797,165	28.2	455,437	21.7	642,894	31.9
Total	**1,570,097**	**100.0**	**2,467,869**	**100.0**	**2,826,330**	**100.0**	**2,100,389**	**100.0**	**2,013,957**	**100.0**

Note: Project owners refer to end users of our products and services; and non-project owners include (i) third-party contractors that sub-contract to us certain parts of a project; and (ii) equipment traders.

During the Track Record Period, a majority of our revenue was contributed by project owners, accounting for 64.5%, 84.1%, 71.8% and 68.1% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively.

Project owners. Our revenue from Continuing Operations generated from project owners increased significantly by approximately 104.9% from 2017 to 2018, which was mainly contributed by projects in mainland China, and then remained relatively stable between 2018 to 2019. Our revenue from Continuing Operations generated from project owners decreased by approximately 16.7% from the nine months ended 30 September 2019 to the nine months ended 30 September 2020, which was primarily due to the decreased revenue derived from project owners contributed by North America, partially offset by the increased revenue derived from project owners contributed by Asia (excluding mainland China).

Non-project owners. Our revenue from Continuing Operations generated from non-project owners decreased by approximately 29.6% in 2018 as compared to 2017, mainly attributable to the significant decrease in revenue derived from non-project owners contributed by Asia (excluding mainland China), partially offset by the increased revenue derived from non-project owners contributed by mainland China. Our revenue derived from non-project owners contributed by Asia (excluding mainland China) decreased in 2018 was mainly due to decreased revenue generated from oil and gas projects located in Kuwait. Our revenue derived from non-project owners contributed by mainland China increased in 2018 was mainly due to the growth in revenue from projects in electronic chemical and personal care chemical industries. Our revenue from Continuing Operations generated from non-project owners increased significantly in 2019 as compared to 2018, primarily contributed by customer J and customer C. Our revenue from Continuing Operations generated from non-project owners further increased by 41.2% for nine months ended 30 September 2020 as compared to nine months ended 30 September 2019, mainly contributed by the increase in revenue generated from a few chemical and metallurgical projects in Indonesia contributed by customer C and customer N.

Cost of sales

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, our costs of sales of Continuing Operations was approximately RMB1,286.7 million, RMB1,955.9 million, RMB2,223.4 million and RMB1,433.5 million, representing approximately 81.9%, 79.3%, 78.7% and 71.2% of our total revenue from Continuing Operations for the corresponding periods respectively. The table below sets out a breakdown of our cost of sales of our Continuing Operations for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Raw material and consumables used	738,927	57.4	1,328,156	67.9	1,510,072	67.9	1,070,201	65.9	926,295	64.6
Direct labour	183,136	14.2	237,205	12.1	251,153	11.3	178,425	11.0	205,564	14.3
Outsourcing fees	108,603	8.4	141,023	7.2	137,138	6.2	97,598	6.0	88,070	6.1
Installation and repair cost	78,554	6.1	110,505	5.6	142,992	6.4	146,753	9.0	87,036	6.1
Depreciation	44,710	3.5	37,183	1.9	41,627	1.9	34,139	2.1	35,406	2.5
Impairment losses recognition/(reversal)	30,603	2.4	(26,673)	(1.4)	7,645	0.3	6,956	0.5	3,061	0.2
Others	102,132	8.0	128,536	6.7	132,814	6.0	89,036	5.5	88,032	6.2
Total	**1,286,665**	**100.0**	**1,955,935**	**100.0**	**2,223,441**	**100.0**	**1,623,108**	**100.0**	**1,433,464**	**100.0**

Raw material and consumables used constitute the largest component of our cost of sales, primarily consisting of stainless steel plate, steel pipes and forgings, and the principal parts and components including valves, meters, pipe fittings and pumps as well as our cost of consumables in production such as welding consumables and gases. Our raw material and consumables as a percentage of our cost of Continuing Operations increased for the year ended 31 December 2018 as compared with 2017, mainly attributable to (i) the increased purchase prices of steel plate during 2016 and 2017; and (ii) the increased special materials with higher value and price than other raw materials applied to pressure equipment. Our raw material and consumables as a percentage of our cost of Continuing Operations remained relatively stable during the rest of the Track Record Period.

Direct labour costs primarily include salaries, bonuses and benefits paid to our production personnel. Outsourcing fees consist of fees paid to third-party subcontractors to whom we outsource part of our production process, such as pressure equipment head forming (封頭壓制) and machining (機加工), to sub-contractors who have better requisite expertise and experience. Installation and repair cost comprises our travelling expenses and the fees charged by our third-party agents for installing, setting up and repairing the equipment on site. Depreciation expense relates primarily to plant, machinery and building for production use. Others primarily include design cost mainly relating to our modular pressure equipment and value-added services, labour cost relating to manufacturing management and other overhead expenses.

The impairment losses recognition/(reversal) represented the changes of inventory provision and onerous contract provision in our Group's balance sheets as at the corresponding reporting date. The amounts of provision recognised as cost of sales and included in profit or loss by our Group during the Track Record Period were approximately RMB39.0 million, RMB9.8 million, RMB21.6 million and RMB12.9 million for the three years ended 31 December 2019 and the nine months ended 30 September 2020, respectively. Our impairment losses recognition for the Track Record Period was mainly attributable to write-down of raw materials and work in progress. In particular, the write-down of raw materials in 2017 was mainly attributable to the ageing raw materials as at 31 December 2017. The write-down of work in progress for the Track Record Period was mainly attributable to the extra costs incurred for some projects primarily due to the extension of production period and the increase in raw material prices for some of our projects that we priced at a relatively low gross profit margin due to strategic considerations. Our impairment losses (reversal) for the year ended 31 December 2018 mainly represented the write-off of provision against balance of work in progress upon transfer of control of projects, which was mainly attributable to (i) the write-off of inventory provision for some of the projects that were completed and settled; (ii) the write-off of part of the work in progress of a project that the original customer had defaulted in payment and hence our Group had modified and sold the relevant products under such project to other customers; and (iii) the write-off of the provision of work in progress of a project made in 2017 after the completion of such project in 2018. This project was an oil and gas project in Kuwait that our Group undertook at a relatively low gross profit margin to gain credential and expand market in the oil and gas industry. However, due to the extension of project period as the manufacture process was more complex than expected, and the additional outsourcing cost incurred as our production capacity was almost fully utilised at that time, significant additional cost was incurred but not recoverable from the customer. The project was completed and transferred to the customer in 2018, and thus, the corresponding provision made in 2017 was written off.

Sensitivity analysis

For the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020, our cost of raw material and consumables was a major component of our cost of sales, representing approximately 57.4%, 67.9%, 67.9% and 64.6% of our total cost of sales of Continuing Operations, respectively. Any material fluctuation in the cost of raw material and consumables may affect the results of our operations.

For illustration purpose only, the following table illustrates the sensitivity analysis of hypothetical fluctuations in the cost of raw material and consumables on profit after tax for the year/period during the Track Record Period from Continuing Operations, while all other factors remain unchanged. An effective enterprise tax rate of 15% was used in the sensitivity analysis. The sensitivity analysis demonstrates the impact of hypothetical increase or decrease in the cost of raw material and consumables by 5% and 10% for the period indicated.

Hypothetical fluctuations in cost of raw material and consumables	**–10%**	**–5%**	**5%**	**10%**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in profit after tax from Continuing Operations				
Year ended 31 December 2017	62,809	31,404	(31,404)	(62,809)
Year ended 31 December 2018	112,893	56,447	(56,447)	(112,893)
Year ended 31 December 2019	128,356	64,178	(64,178)	(128,356)
Nine months ended 30 September 2020	78,735	39,368	(39,368)	(78,735)

Gross profit and gross profit margin

As most of our sales is project-based, we will have different products and services mixes included in a project. Also, our pricing strategy is principally based on the estimated cost, with a markup to reflect a margin reasonable for the industry, adjusted by other factors such as market demand and the specification and/or customisations required by our customers. We typically enter into fixed price contracts with our customers. If actual costs exceed our estimated costs used to determine the contract price, and we are unable to pass cost overruns to our customers, our gross profit and gross profit margin are negatively affected. Occasionally, we may also intentionally undertake (i) projects for which we expect lower gross profit margins due to the strategic considerations, i.e., entrance into or expansion of overseas and regional markets or business within certain industries; or (ii) projects with higher technical, quality, design and manufacturing capability requirements, which in general have higher gross profit margin, according to F&S report. As a result of the above, the gross profit margins of our projects vary.

Products and Services

The following table sets forth our gross profit and gross profit margin of our Continuing Operations by product/service type for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Traditional Pressure equipment	63,386	11.6	221,221	20.9	375,385	22.8	309,650	24.9	343,270	30.9
– heat exchangers	(11,528)	(8.8)	67,929	22.3	145,136	21.6	121,223	26.0	103,646	31.7
– tanks	22,431	17.5	18,158	14.4	105,446	30.9	78,008	32.5	95,281	33.3
– reactors	9,444	13.4	102,412	20.4	99,762	19.7	90,064	21.0	121,675	29.3
– towers	43,039	20.0	32,722	25.8	25,041	19.5	20,355	18.6	22,668	27.4
Modular Pressure equipment	198,625	20.8	262,962	19.7	196,916	18.3	147,522	18.1	208,073	24.5
Value-added services *(Note 1)*	8,019	27.2	17,526	54.8	13,584	54.5	10,841	59.1	19,370	48.6
Others *(Note 2)*	13,402	32.4	10,225	26.1	17,004	22.0	9,268	41.4	9,780	64.2
Total	**283,432**	**18.1**	**511,934**	**20.7**	**602,889**	**21.3**	**477,281**	**22.7**	**580,493**	**28.8**

Notes:

1. Value-added services include design, validation and maintenance service.

2. Others mainly include sales of raw materials and scrap materials.

During the Track Record Period, we recorded gross profit from Continuing Operations of approximately RMB283.4 million, RMB511.9 million, RMB602.9 million and RMB580.5 million, and gross profit margin from Continuing Operations of approximately 18.1%, 20.7%, 21.3% and 28.8% for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. For the detailed analysis of fluctuation in gross profit margin by products and services, please refer to the paragraph headed "— Results of Our Continuing Operations" in this section.

Downstream Industries

The following table sets forth the breakdown of gross profit and gross profit margin from our Continuing Operations by end application for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Chemical	46,462	9.7	129,956	19.2	257,372	20.0	220,162	23.0	226,585	29.3
Pharmaceutical	60,683	27.0	75,799	19.9	135,835	18.8	98,859	18.3	136,506	25.5
Personal care chemical	96,252	18.8	162,688	26.7	61,099	25.6	47,599	26.1	47,381	28.1
Mining and metallurgical	1,840	84.8	9,800	20.6	30,785	26.3	26,070	26.5	55,984	32.6
Oil and gas	40,655	18.6	(14,999)	(13.2)	28,413	29.7	24,214	31.6	40,214	24.6
Electronic chemical	24,107	26.2	123,384	22.3	14,081	17.8	13,775	17.4	4,653	21.5
Others *(Note)*	13,433	32.8	25,306	28.4	75,304	25.9	46,602	28.0	69,170	38.2
Total	**283,432**	**18.1**	**511,934**	**20.7**	**602,889**	**21.3**	**477,281**	**22.7**	**580,493**	**28.8**

Note: Others primarily include shipping industry, water treatment industry and food industry.

Chemical. According to F&S Report, there had been a decreasing demand from customers in chemical industry from 2014 to first half of 2016 due to the global crude oil and raw material of bulk commodity plummeted during that time, thus we strategically lowered our price of products to keep market share and production utilisation rate. A considerable part of revenue recognised in 2017 was contributed by contracts entered into during such period with relatively low gross profit margin. Accordingly, we recorded a relatively lower gross profit margin from Continuing Operations from chemical industry of approximately 9.7% in 2017.

The following are cases which had a relatively larger impact on our gross profit margin from chemical industry in 2017:

(i) revenue generated from two purchase orders placed by one of our customers which is an international engineering company for one of its projects located in mainland China with relatively low gross profit margin of approximately 0.6% and 3.9%, respectively in 2017. The aggregated sales amount of such orders was approximately RMB71.1 million accounting for approximately 14.8% of our total sales made to this industry. Such low gross profit margin was mainly due to the fact that (a) we strategically lowered our price in order to establish a long-term business relationship with this customer and keep market share considering the fierce

competition; and (b) the actual cost of the project increased as compared to its estimated cost due to the extension of project period as the manufacturing process is more complex than expected;

(ii) revenue generated from four purchase orders placed by one of our customers which is principally engaged in provision of petrochemical products in 2017, accounting for approximately 2.9% of our total sales made to this industry. To be more specific, two of the purchase orders were placed by such customer for its production facilities in mainland China with an aggregated gross loss of RMB1.1 million and the other two orders were related to a project in Europe with an aggregated gross loss of RMB1.8 million. We recorded gross loss from the above purchase orders mainly because we strategically lowered our price in order to establish a long-term business relationship with such customer and keep market share considering the fierce competition; and

(iii) revenue generated from a purchase order of one of our customers which is principally engaged in provision of process technologies, automation and other services with negative gross profit margin of approximately 50.4% in 2017, accounting for approximately 2.7% of our total sales made to this industry. Such gross loss was mainly attributable to our incurrence of additional costs of approximately RMB4.8 million, which included additional cost of raw materials and consumables used, direct labour cost and production overhead cost, in a project in mainland China that, at the customer's request, had been suspended for around six months, mainly attributable to the additional work required to replace and repair the raw materials mainly including carbon steel and work in progress products, the condition of which might have been affected as the parts and unfinished products were stored outdoor during the project suspension and according to F&S Report, carbon steel has a relatively high corrosion rate in outdoor moisture environment.

Our gross profit margin from Continuing Operations from chemical industry then increased to 19.2% in 2018 and remained relatively stable at approximately 20.0% in 2019, primarily due to a growing demand from chemical industry since the second half of 2016. As a result, we gradually received more orders from customers in chemical industry with relatively higher gross profit margin, and a considerable part of revenue derived from those orders were recognised in 2018 and 2019.

Our gross profit margin from Continuing Operations from chemical industry further increased to approximately 29.3% for the nine months ended 30 September 2020 primarily due to the facts (i) as compared to our price reduction strategies in 2016 and 2017, we strategically tendered or selected projects with high prices and gross margins gradually since the second half of 2017 as there had been a growing demand from chemical industry and our production capacity was almost fully utilised. A majority of contracts, revenue from which was recognised for the nine months ended 30 September 2020, were entered into with our customers in 2018 and 2019, while a considerable part of revenue recognised in 2019 was derived from contracts entered into in 2017, gross profit margin of which were relatively lower in general; and (ii) some contracts with large contract value, revenue of which were

recognised for the nine months ended 30 September 2020, were entered into with our customers in the second half of 2018 when the steel plate prices were relatively high. The steel plate prices declined when we procured the relevant raw materials for such contract. As a result, the actual costs of these projects were lower than their estimated costs, thereby increasing their respective gross profit margins. In addition, revenue derived from a purchase order placed by one of our customers which is principally engaged in the production and sales of chemical products for a project in undertook in mainland China had a relatively high gross profit margin of approximately 43.5% mainly due to the high confidential requirements requested by this customer, which accounted for approximately 8.7% of our total sales made to chemical industry. Such higher gross profit margin also contributed to the increase in our gross profit margin from Continuing Operations from chemical industry for the nine months ended 30 September 2020.

Pharmaceutical. Gross profit margin from Continuing Operations from pharmaceutical industry was approximately 27.0% for the year ended 31 December 2017, which was relatively high during the Track Record Period, primarily attributable to:

(i) revenue derived from two purchase orders placed by one of our customers, which is a vaccine manufacturer, for two projects in mainland China with relatively high gross profit margin of approximately 96.0% and 43.6%, respectively in 2017 and the aggregated sales amount accounted for approximately 5.3% of our total sales made to this industry. The higher gross profit margin of approximately 96.0% was primarily due to the facts that (a) the core product used in the project requested high technical and quality requirements, leading to less competition and higher estimated gross profit margin; and (b) certain technologies used in the product mentioned above was developed by our in-house research and development team which could be used in other similar projects, thus part of the relevant costs was recorded as research and development expenses. The higher gross profit margin of approximately 43.6% was primarily due to the actual cost of this project lower than its estimated cost as we optimised the design to reduce workload;

(ii) revenue derived from a purchase order of one of our customers for a project in mainland China with relatively high gross profit margin of approximately 81.7% in 2017 primarily due to the same core product mentioned above being used and hence part of relevant costs was recorded as research and development expenses, which accounted for approximately 3.3% of our total sales made to pharmaceutical industry; and

(iii) revenue derived from a purchase order of one of our customers for its project in mainland China with relatively high gross profit margin of approximately 37.6% in 2017, which was primarily due to the complexity of this project which required strong design and manufacturing capabilities, leading to less competition and higher estimated gross profit margin. Revenue from such order accounted for approximately 7.9% of our total sales made to pharmaceutical industry.

Gross profit margin from Continuing Operations from pharmaceutical industry remained relatively stable at approximately 19.9% and 18.8% in 2018 and 2019, respectively, and then increased to approximately 25.5% for the nine months ended 30 September 2020. Such increase was primarily attributable to revenue derived from a purchase order of modular pressure equipment placed by one of our customers for its project in mainland China which had a high gross profit margin of approximately 46.7% with revenue contribution of approximately 30.3% of our total sales made to pharmaceutical industry for the nine months ended 30 September 2020. Such high gross profit margin was primarily due to the facts that (i) supplier of this project was required to have strong design and manufacturing capabilities as a result of the complexity of this project, which led to less competition and higher estimated gross profit margin; and (ii) the actual cost of this project was lower than its estimated cost as we optimised the design to reduce workload and negotiated with suppliers to lower the prices of raw materials.

Personal Care Chemical. Our customers from personal care chemical industry are relatively concentrated. Revenue from our largest customer in personal care chemical industry, accounted for approximately 86.4%, 69.9%, 53.5% and 94.3% of our revenue from personal care chemical industry from Continuing Operations, for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. Thus, the fluctuations in gross profit margin of personal care chemical industry during the Track Record Period were affected, to a large extent, by the gross profit margin of projects from this customer. Gross profit margin from Continuing Operations from personal care chemical industry increased from approximately 18.8% for the year ended 31 December 2017 to approximately 26.7% for the year ended 31 December 2018 primarily attributable to the revenue derived from two purchase orders of modular pressure equipment placed by our largest customer in personal care chemical industry, one order in Japan with a relatively high gross profit margin of approximately 40.5% for the high requirements of production environment requested by this customer and another order in the U.S. with a relatively high gross profit margin of approximately 31.1% due to the supplementary payments made by this customer in 2018 for the miscellaneous additional costs of labour and raw materials used in relation to the design alterations.

Gross profit margin from Continuing Operations from personal care chemical industry remained relatively higher at 25.6% in 2019 primarily due to a purchase order placed by our largest customer in personal care chemical industry for its project in Japan with a relatively high gross profit margin of approximately 37.4% due to the high requirements of production environment requested by this customer. Gross profit margin from Continuing Operations from personal care chemical industry further increased to approximately 28.1% for the nine months ended 30 September 2020 mainly due to (i) revenue derived a purchase order from the customer mentioned above for a new project in Japan with a relatively high gross profit margin of approximately 27.5% with revenue contribution of approximately 29.0% of our total sales made to this industry. Such relatively high gross profit margin was mainly due to the facts that an end-to-end solution was required by the customer including design, fabrication, crating and shipping, site installation, quality control and so on; and (ii) a purchase order from the same customer for a project in Japan with relatively high gross profit margin of approximately 36.0% with revenue contribution of approximately 11.7% of our total sales made to this industry mainly due to the high requirements of production environment requested by this customer.

Mining and metallurgical. Similar to personal care chemical, our customers in mining and metallurgical industry are relatively concentrated. Gross profit margin from Continuing Operations from mining and metallurgical industry was approximately 84.8% in 2017, which was relatively high during the Track Record Period, primarily attributable to revenue derived from an one-off purchase order of tank from one of our customers for a project it undertook in Kazakhstan with a relatively smaller amount of revenue of approximately RMB1.9 million and an extremely high gross profit margin of approximately 91.0% in 2017, which accounted for approximately 87.7% of our total sales made to this industry.

The higher gross profit margin from Continuing Operations from mining and metallurgical of approximately 26.3% in 2019 was mainly due to revenue derived from a purchase order placed by a new customer in the PRC, for its production base in Indonesia with a relatively high gross profit margin of approximately 27.0%, which accounted for approximately 85.4% of our total sales made to this industry. Such higher gross profit margin was primarily due to the high technical and quality requirements requested by this customer, which led to less competition and higher estimated gross profit margin.

Our gross profit margin from Continuing Operations from mining and metallurgical industry further increased to approximately 32.6% for the nine months ended 30 September 2020 primarily attributable to (i) revenue derived from a purchase order placed by the customer mentioned before for its production base in Indonesia with a relatively high gross profit margin of approximately 40.5%, which accounted for approximately 14.8% of our total sales made to this industry. Such higher gross profit margin was primarily due to (a) the high technical and quality requirements requested by this customer which led to less competition and higher estimated gross profit margin; and (b) the actual costs of the projects were lower than estimated costs as the contract was entered into with the customers in second half of 2018 when the steel plate prices were relatively high, and the steel plate prices declined when we procured the relevant raw materials for the contract which increasing the gross profit margin; and (ii) revenue derived from one of our customers, an engineering company, for a metallurgical project it undertook in Indonesia with a relatively high gross profit margin of approximately 31.9%, which accounted for approximately 67.7% of our total sales made to mining and metallurgical industry. Such relatively high gross profit margin was mainly due to the facts that (a) manufacturer of this project was required to have advanced manufacturing technology due to the special materials used in this project specified by the customer; and (b) we purchased main raw materials for this project at favorable prices due to our large purchase volume which enhanced our bargaining power.

Oil and gas. Gross profit margin from Continuing Operations from oil and gas industry was approximately 18.6% for the year ended 31 December 2017, while we recorded a negative gross profit margin of approximately 13.2% for the year ended 31 December 2018. The negative gross profit margin in 2018 was mainly due to (i) revenue derived from one of our customers, which was also one of our top five suppliers in 2017, for a project it undertook in Algeria with an aggregated gross loss of approximately RMB6.7 million in 2018, which accounted for approximately 43.4% of our total sales generated from this industry. For reasons of such gross loss, please see "Business — Procurement and Suppliers — Major Suppliers"; (ii) revenue derived from a purchase order placed by one of our customers, an

international service provider to the energy industry, for a project it undertook in Kuwait with negative gross profit margin of approximately 190.9% in 2018, which accounted for approximately 5.1% of our total sales made to this industry. Such loss was mainly due to the facts that the actual cost of the project was much higher than its estimated cost due to (a) the extension of project period as the manufacturing process is more complex than expected; and (b) an additional outsourcing cost incurred because our production capacity was almost fully utilised at that time. Our gross profit margin from Continuing Operations from oil and gas industry then increased to approximately 29.7% for the year ended 31 December 2019 mainly due to revenue derived from a purchase order placed by one of our customers for a project it undertook in Europe with a relatively high gross profit margin of approximately 44.4%, which accounted for approximately 35.7% of our total sales made to oil and gas industry, as we were able to charge a relatively high gross profit margin because of the longer warranty period required by the customer.

Electronic chemical. We recorded a relatively higher gross profit margin from Continuing Operations from electronic chemical industry of approximately 26.2% for the year ended 31 December 2017 as compared to the rest of the Track Record Period. Such higher gross profit margin was mainly due to revenue derived from a purchase order placed by one of our customers for a project in mainland China with a relatively high gross profit margin of approximately 28.9%, which accounted for approximately 81.0% of our total sales made to this industry. Such relatively higher gross profit margin was mainly because the high technical and quality requirements requested by this customer, which led to less competition and higher estimated gross profit margin.

Our gross profit margin from Continuing Operations from electronic chemical industry was approximately 17.8% for the year ended 31 December 2019 which was relatively lower. This was mainly due to revenue derived from a purchase order placed by one of our customers which principally engaged in the provision of electronic chemical products and materials for a project it undertook in mainland China with a relatively low gross profit margin of approximately 6.6%, which accounted for approximately 81.5% of our total sales made to this industry. Such low gross profit margin was primarily because (i) the project was obtained through a bidding with fierce competition; (ii) we strategically lowered our price in order to establish a long-term business relationship with the customer; and (iii) part of the cost was overrun on raw materials and labour as a higher quality requirement by the customer.

Others. Gross profit margin from Continuing Operations from other industries was approximately 32.8% and 38.2%, respectively for the year ended 31 December 2017 and for the nine months ended 30 September 2020, which was relatively higher during the Track Record Period. The higher gross profit margin from Continuing Operations from other industry for the year ended 31 December 2017 was mainly because revenue derived from one of our customers had a high gross profit margin of approximately 94.3% as the products we sold to the customer was leftover materials. Revenue from such customer accounted for approximately 22.2% of our total sales made to other industries. Gross profit margin from Continuing Operations from other industries for the nine months ended 30 September 2020 was relatively high primarily due to revenue derived from purchase orders placed by one of our customers with relatively high gross profit of approximately 36.7%, which accounted for

approximately 81.9% of our total sales generated from other industries. Such relatively high gross profit margin was mainly due to the short lead time required by the customer.

Geographical Location

The following table sets forth our gross profit and gross profit margin of our Continuing Operations by geographical location based on the location at which our products/services were delivered/provided for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Mainland China	78,154	14.5	309,478	20.1	354,248	19.8	279,866	21.9	280,618	26.4
North America	93,016	19.6	104,104	24.2	90,922	22.1	75,633	22.3	36,103	34.6
Asia (excluding mainland China)	64,221	20.5	85,627	24.7	83,203	28.0	69,783	30.2	163,329	31.6
Europe	42,811	21.9	5,081	22.7	67,529	27.9	48,128	26.7	75,244	32.2
Others *(Note)*	5,230	11.2	7,644	6.1	6,987	7.9	3,871	5.2	25,199	26.1
Total	**283,432**	**18.1**	**511,934**	**20.7**	**602,889**	**21.3**	**477,281**	**22.7**	**580,493**	**28.8**

Note: Others mainly included Brazil, Chile, Argentina and Peru in South America, Algeria, Nigeria and South Africa in Africa and Australia in Oceania.

Mainland China. Gross profit margin from Continuing Operations from mainland China was approximately 14.5% for the year ended 31 December 2017, which was relatively low during the Track Record Period, primarily caused by the low gross profit margin of chemical industry, partially offset by the relatively high gross profit margin of pharmaceutical industry. Our gross profit margin from Continuing Operations from mainland China then increased to approximately 20.1% in 2018 and remained relatively stable at approximately 19.8% in 2019, primarily due to the growing demand from chemical industry since the second half of 2016. Our gross profit margin from Continuing Operations from mainland China further increased to approximately 26.4% for nine months ended 30 September 2020, which was mainly attributable to the relatively high gross profit margin of chemical industry and pharmaceutical industry in mainland China, respectively. For further details of which, please refer to the paragraph headed "— Downstream Industries — chemical/pharmaceutical" in this section.

North America. Gross profit margin from Continuing Operations from North America increased from approximately 19.6% for the year ended 31 December 2017 to approximately 24.2% for year ended 31 December 2018, primarily attributable to revenue derived from a purchase order of modular pressure equipment placed by one of our customers for its

manufacturing facilities for personal care chemical products in the U.S. with a relatively high gross profit margin of approximately 31.1%, which accounted for approximately 40.7% of our total sales made to North America. Our gross profit margin from Continuing Operations from North America then slightly decreased to approximately 22.1% for year ended 31 December 2019, primarily attributable to revenue derived from one purchase order of modular pressure equipment from one of our customers for a pharmaceutical project undertaken by it in the U.S. with a relatively low gross profit margin of approximately 16.7%, which accounted for approximately 43.6% of our total sales made to North America. Such lower gross profit margin was mainly due to the additional cost such as raw materials, labour and overhead expenses incurred in 2019 for the additional service as a supplement to the original service scope. The supplementary payment for the additional cost incurred in 2019 was made by this customer in 2020 according to a supplementary agreement reached in 2020, resulting in a higher gross profit margin of approximately 81.8%, which in turn increased our gross profit margin in North America for the nine months ended 30 September 2020.

Asia (excluding mainland China). Gross profit margin from Continuing Operations from Asia (excluding mainland China) recorded a continuous growth throughout the Track Record Period. Gross profit margin from Continuing Operations from Asia (excluding mainland China) increased from approximately 20.5% in 2017 to approximately 24.7% in 2018, mainly because of revenue derived from a purchase order of modular pressure equipment placed by one of our customers for its manufacturing facilities for skin care products in Japan with a relatively high gross profit margin of approximately 40.5% mainly due to the high requirements of production environment requested by this customer, which contributed approximately 33.8% of our total sales made to Asia (excluding mainland China).

Gross profit margin from Continuing Operations from Asia (excluding mainland China) then increased to approximately 28.0% for the year ended 31 December 2019, mainly because of revenue derived from a new purchase order for its project in Japan with a relatively high gross profit margin of approximately 37.4%, mainly due to the high requirements of production environment requested by this customer, which accounted for approximately 14.5% of our total sales made to Asia (excluding mainland China).

Our gross profit margin further increased to approximately 31.6% for the nine months ended 30 September 2020, mainly because of (i) revenue derived from a project in Indonesia from one of our customers which provides pressure equipment applied in the chemical industry with a relatively high gross profit margin of approximately 37.1% mainly due to that the suppliers of this project was required to have advanced technology as a result of the complexity of this project, which accounted for approximately 12.6% of our total sales made to Asia (excluding mainland China); (ii) revenue derived from a purchase order of reactors placed by one of our customers which is an EPC provider in the PRC for its production base in Indonesia with a relatively high gross profit margin of approximately 40.5% for our strong design and manufacturing capabilities, which accounted for approximately 4.9% of our total sales made to Asia (excluding mainland China); and (iii) revenue derived from a purchase order of reactors placed by one of our customers which is a comprehensive engineering constructor in various industries with a relatively high gross profit margin of approximately 58.0%, accounting for approximately 3.2% of our total sales made to Asia (excluding

mainland China). Such relatively high gross profit margin was mainly due to the actual cost of the project decreased as compared to its estimated cost as we optimised the design and outsourced part of our production process.

Europe. Gross profit margin from Continuing Operations from Europe remained relatively stable at approximately 21.9% and 22.7% in 2017 and 2018, respectively, and then increased to approximately 27.9% and 32.2% for the year ended 31 December 2019 and nine months ended 30 September 2020, respectively. This was primarily attributable to revenue derived from one of our customers with a relatively high gross profit margin of approximately 36.7% as a result of the short lead time required by this customer. Revenue from such customer accounted for approximately 54.3% and 61.2% of our total sales made to Europe in 2019 and for the nine months ended 30 September 2020, respectively.

Customer classification

The following table sets forth our gross profit and gross profit margin of our Continuing Operations by customer classification for the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Project owners	189,170	18.7	469,774	22.6	425,604	21.0	366,260	22.3	381,316	27.8
Non-project owners	94,262	16.9	42,160	10.7	177,285	22.2	111,021	24.4	199,177	31.0
Total	**283,432**	**18.1**	**511,934**	**20.7**	**602,889**	**21.3**	**477,281**	**22.7**	**580,493**	**28.8**

Note: Project owners refer to end users of our products and services; and non-project owners include (i) third-party contractors that sub-contract to us certain parts of a project; and (ii) equipment traders.

Project owners. Gross profit margin from Continuing Operations contributed by project owners increased from approximately 18.7% for the year ended 31 December 2017 to approximately 22.6% for the year ended 31 December 2018, primarily attributable to (i) revenue derived from a purchase order of modular pressure equipment placed by Customer A for its manufacturing facilities for personal care chemical products in the U.S. with a relatively high gross profit margin of approximately 31.1%, which accounted for approximately 8.4% of our total sales made by project owners; and (ii) revenue derived from another purchase order of modular pressure equipment placed by the same customer as aforementioned for its manufacturing facilities for skin care products in Japan with a relatively high gross profit margin of approximately 40.5% mainly due to the high requirements of production environment requested by this customer, which accounted for

approximately 5.7% of our total sales made by project owners. Reasons for such higher gross profit margin, please refer to "— Gross Profit and Gross Profit Margin — Downstream Industries — Personal Care Chemical".

Gross profit margin from Continuing Operations contributed by project owners remained relatively stable during two years ended 31 December 2019 and then increased to approximately 27.8% for nine months ended 30 September 2020, mainly attributable to (i) revenue derived from one of our customers with a relatively high gross profit margin of approximately 46.8%, which accounted for approximately 11.9% of our total sales made by project owners; (ii) revenue derived from one of our customers engaging in chemical businesses with a relatively high gross profit margin of 43.5%, which accounted for approximately 4.9% of our total made by project owners; and (iii) revenue derived from a purchase order of modular pressure equipment placed by one of our customers for a new project in Japan with a relatively high gross profit margin of approximately 36.0%, which accounted for approximately 1.4% of our total made by project owners. Please refer to "— Gross Profit and Gross Profit Margin — Downstream Industries — Pharmaceutical/Chemical/Personal Care Chemical" for more details.

Non-project owners. Gross profit margin from Continuing Operations contributed by non-project owners decreased from approximately 16.9% for the year ended 31 December 2017 to approximately 10.7% for the year ended 31 December 2018, primarily attributable to (i) revenue derived from one of our customers which is an EPC provider with a gross loss of approximately RMB6.7 million in 2018, which accounted for approximately 12.5% of our total sales made by non-project owners. Please refer to "Business — Procurement and Suppliers — Major Suppliers" for more details of the reason for such gross loss; and (ii) revenue derived from one of our customers engaging in environmental chemistry businesses with a gross loss of approximately RMB1.8 million in 2018, which accounted for approximately 3.8% of our total sales made by non-project owners, mainly because (a) some of the ready-made work in progress used in the project was provided by the customer and thus the estimated profit margin of this project was relatively low; and (b) the actual cost of the project increased as compared to its estimated cost due to the complexity of the project.

Our gross profit margin then increased significantly to approximately 22.2% for the year ended 31 December 2019, primarily attributable to (i) revenue derived from one of our customers with a relatively high gross profit margin of approximately 35.2%, revenue from which accounted for approximately 16.5% of our total sales made to non-project owners; and (ii) revenue derived from a purchase order placed by one of our customers which is an EPC provider in the PRC for its project in Indonesia with a relatively high gross profit margin of approximately 27.0%, which accounted for approximately 12.5% of our total sales made to non-project owners. For further details, please refer to "— Gross Profit and Gross Profit Margin — Geographical Location — Europe" and "— Gross Profit and Gross Profit Margin — Downstream Industries — Mining and metallurgical".

Our gross profit margin further increased to approximately 31.0% for nine months ended 30 September 2020 primarily because of (i) revenue derived from the customer mentioned above with a relatively high gross profit margin of approximately 36.7%, revenue from which accounted for approximately 22.2% of our total sales made to non-project owners; (ii) revenue derived from a chemical project in Indonesia from one of our customers which provides pressure equipment applied in the chemical industry with a relatively high gross profit margin of approximately 37.1% the complexity of this project, which accounted for approximately 10.1% of our total sales made to non-project owners; (iii) revenue derived from a metallurgical project in Indonesia undertaken by one of our customer which is an engineering company with a relatively high gross profit margin of approximately 31.9%, which accounted for approximately 18.1% of our total sales made to non-project owners. For more details, please refer to "— Gross Profit and Gross Profit Margin — Downstream Industries — Mining and metallurgical"; (iv) revenue derived from one of our customers which provides pressure equipment applied in the chemical and oil and gas industries with a relatively high gross profit margin of approximately 34.5% mainly due to that (a) the supplier of this project was required to have advanced manufacturing technology for the special materials used in this project; and (b) the actual cost of this project decreased as compared to its estimated cost as we saved certain special materials depending on accumulative experience, which accounted for approximately 4.5% of our total sales made by non-project owners; (v) revenue derived from a purchase order of modular pressure equipment from one of our customers with a high gross profit margin of approximately 81.8%, which accounted for approximately 2.1% of our total sales made to non-project owners. Please refer to "— Gross Profit and Gross Profit Margin — Geographical Location — North America" for more details; (vi) revenue derived from a purchase order of reactors placed by one of our customers which is an EPC provider in the PRC for its production base in Indonesia with a relatively high gross profit margin of approximately 40.5% for our strong design and manufacturing capabilities, which accounted for approximately 4.0% of our total sales made to non-project owners; and (vii) revenue derived from a purchase order of reactors placed by one of our customers which is a comprehensive engineering constructor in various industries with a relatively high gross profit margin of approximately 58.0%, which accounted for approximately 2.6% of our total sales made by non-project owners. Please refer to "— Gross Profit and Gross Profit Margin — Geographical Location — Asia (excluding Mainland China)" for more details.

Other income/(loss)

Our other income/(loss) mainly included government grants, rental income, interest income, investment income, net foreign exchange loss and net income or loss on changes in fair value of financial assets and liabilities. The following table sets forth a breakdown of our other income/(loss) of our Continuing Operations for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants	15,085	12,370	8,216	3,564	7,991
Rentals receivable from operating leases	7,166	4,272	–	–	45
Interest income	2,468	3,895	3,984	2,452	1,374
Net realised gains on financial assets measured at fair value through profit or loss	1,535	4,360	5,091	4,368	2,503
Net foreign exchange loss/(gain)	(6,977)	(12,851)	(11,947)	(22,797)	(18,587)
Changes in fair value of financial assets and liabilities	–	(1,342)	1,400	1,344	(57)
Others *(Note)*	157	2,533	323	(335)	2,056
	19,434	13,237	7,067	(11,404)	(4,675)

Note: Others mainly include net income on sale of property, plant and equipment, loss on disposal of subsidiary and other kinds of other income/(loss).

Selling and marketing expenses

Our selling and marketing expenses primarily included staff costs that primarily consist of salaries and benefit paid to our sales and marketing staff, commission, customer service fee, travel expenses, and marketing and promotion expenses. The following table sets forth a breakdown of our selling and marketing expenses of our Continuing Operations for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs	11,470	17,308	24,030	16,321	16,975
Commission	5,461	19,316	25,284	16,982	14,820
Customer service fee	9,800	18,325	11,832	9,763	6,266
Marketing and promotion expenses	2,639	12,760	16,198	9,475	5,571
Travel expenses	4,066	4,523	5,971	3,898	1,931
Warranty expenses	720	2,873	3,098	2,247	977
Others	1,628	2,319	1,661	1,032	1,338
Total	35,784	77,424	88,074	59,718	47,878

The commission fee represents the fee we paid to third party sales representatives who introduced projects to us. During the Track Record Period, the rate of commission fee we paid to the sales representatives ranged from approximately 0.1% to 17.4% of the contract sum. The fluctuations in the commission fee were mainly in line with the amount of revenue generated from the projects that the sales representatives introduced to us.

Our customer service fee mainly include pre-sales service fees and after-sales service fees associated with pressure equipment. The pre-sales services offered to our customers include preparing preliminary proposal of project design before the commencement of a project. As we only offer pre-sales services to selected potential customers and the extent of after-sales services required depends on a case-by-case basis, the fluctuations of our customer service fee do not necessarily in line with our revenue fluctuations.

The increasing trend of our marketing and promotion expenses and staff costs for the three years ended 31 December 2019 was in line with our marketing efforts. Please refer to the paragraph headed "Financial Information — Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — Our marketing efforts" in this section for further details of our marketing efforts.

Aside from our marketing efforts, the fluctuations of our revenue during the Track Record Period were driven by various factors, including the changing demand for our products or services in the relevant downstream industries and geographic markets, our pricing strategy, market competition as well as new customers acquired, etc. Thus, the fluctuations of our selling and marketing expenses were not necessarily be directly proportional to our revenue growth.

General and administrative expenses

General and administrative expenses primarily include staff costs that primarily consist of salaries and benefits paid to our management and administrative staff, staff welfare that mainly represents costs related to benefits we provide to all of our staff such as free working meal, shuttle bus and staff dormitory, consultation fee, safety production expenses and bad debt loss. The following table sets forth a breakdown of general and administrative expenses of our Continuing Operations for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Staff costs	80,859	75,940	80,285	60,121	53,182
Staff welfare	18,607	24,163	37,974	27,148	27,762
Share-based payment	–	–	–	–	20,260
Rental	8,364	11,151	17,859	12,371	14,143
Depreciation and amortisation	14,067	17,429	18,694	14,604	15,940
Office expenses	4,269	7,822	10,126	7,426	9,525
Listing expenses	–	6,256	4,735	1,470	14,098
Consultation fee	2,796	9,923	14,212	8,121	9,259
Safety production expenses	2,022	3,495	7,253	5,391	4,921
Insurance premium	2,398	4,050	6,292	4,238	3,596
Bank service fee	3,193	5,130	6,035	3,350	3,407
Entertainment expenses	3,774	5,582	8,804	5,221	5,151
Travel expenses	4,364	6,226	7,738	5,251	2,615
Bad debt loss	(5,114)	(46,410)	(11,768)	(7,241)	(4,190)
Others	11,659	12,805	15,083	9,737	6,930
Total	151,258	143,562	223,322	157,208	186,599

Our consultation fees mainly include legal service fees, accounting and auditing service fees, professional service fees, and consulting service fees. The following table sets forth a breakdown of our consultation fees during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Legal service	232	71	3,963	1,453	1,012
Accounting and auditing service	646	1,289	1,295	863	647
Professional service	1,551	2,914	1,343	656	1,327
Consulting service	367	5,649	7,611	5,149	6,273
Total	2,796	9,923	14,212	8,121	9,259

The legal services, and accounting and auditing services were provided by law firms and accounting firms which are independent third parties. The professional services mainly include technical consultation of manufacturing process and project design, validation service, assessment of the plan of Demerger, internet consultation, recruitment consultation, project application assistance for government subsidies, and credit investigation provided by third-party service providers. Our consulting services mainly include (i) management consultation provided by Morimatsu Industry, one of our Controlling Shareholders, Morimatsu Houston Cooperation, a fellow subsidiary of the Group, and other service providers, and (ii) techniques consultation provided by technical consultants and technical service providers. Our consultation fees increased by approximately RMB7.1 million in 2018 as compared to 2017 which was mainly attributable to the increase of consulting service fee of approximately RMB5.3 million mainly because Morimatsu Industry began to provide management consultation service to our Group in 2018. Our consultation fees further increased by approximately RMB4.3 million in 2019 mainly attributable to the increase of consulting service fee of approximately RMB2.0 million due to the increase of management consulting service provided by Morimatsu Houston Cooperation. Our Directors confirmed that the management consulting services provided by Morimatsu Industry and Morimatsu Houston Cooperation would be ceased upon Listing.

Our general and administrative expenses were relatively less sensitive to the fluctuation of our revenue, as it included fixed expenses such as rental expenses, office expenses, staff costs and staff welfare, which were not all directly tied to sales. Therefore, the general and administrative expenses were not always in line with our revenue fluctuation.

Research and development expenses

Research and development expenses primarily include (i) the salaries and other benefits paid to our research and development personnel; (ii) the materials and supplies used for our research and development activities; and (iii) the depreciation and amortisation of the research facilities. The following table sets forth a breakdown of our research and development expenses of our Continuing Operations for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Staff cost	34,435	54,145	71,941	54,380	56,302
Materials consumed	47,726	60,212	47,478	30,837	12,229
Depreciation and amortisation	4,218	5,293	4,204	3,239	3,746
Others	867	1,033	2,523	2,453	2,590
Total	87,246	120,683	126,146	90,909	74,867

We conducted research and development activities in three main aspects: product, platform and engineering, and the materials consumed in product research weighted more than the research activities in platform and engineering. In addition, different research projects need different amount and different kinds of materials. Therefore, the materials consumed in each year/period depends on the combination of research projects we undertook in that year/period. As such, our expenses of material consumed were not in line with our revenue growth during the Track Record Period. Our materials consumed increased by approximately RMB12.5 million in 2018 as compared to 2017 mainly due to the facts that (i) we undertook more research projects in 2018; and (ii) we conducted more research activities in product development which need more research materials than research activities in platform and engineering in 2018. Our materials consumed decreased by approximately RMB12.7 million in 2019 as compared to 2018, and further decreased to approximately RMB12.2 million for the nine months ended 30 September 2020 mainly due to the fact that we have accumulated general research materials over the years and hence devoted less resources purchasing general research materials. In addition, less raw materials were consumed by the ongoing research and development projects for nine months ended 30 September 2020 due to the impact of COVID-19.

Moreover, our research and development expenses were relatively less sensitive to the fluctuation of our revenue, as we devoted more resources to research and development not only for revenue boost but also for enhancing our technological reserve and offering innovative solutions which create additional value for our customers, and maintaining and enhancing our position as a leading pressure equipment manufacturer and service provider in the PRC by developing new technologies, products to adhere to the changing market standards and requirements. As a result, the fluctuation of our research and development expenses were not necessarily be directly proportional to our revenue growth.

Finance costs

Our finance costs primarily represent interest on interest-bearing borrowings. The following table sets forth a breakdown of the finance costs of our Continuing Operations for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on interest-bearing borrowings	8,623	5,401	6,268	4,929	7,790
Interest on lease liabilities	18	105	113	85	52
	8,641	5,506	6,381	5,014	7,842

Income tax

We are subject to income tax on an entirely basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. Our income tax expense represents current tax and deferred tax. Our current tax comprises primarily PRC corporate income tax. The following table sets forth the major components of our income tax expense for our Continuing Operations for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax:					
PRC	12,987	14,625	17,645	20,900	34,428
U.S.	36	8	137	135	65
SWE	–	–	–	–	256
	13,023	14,633	17,782	21,035	34,749
Deferred tax:					
PRC	1,554	16,790	7,305	2,891	2,685
	14,577	31,423	25,087	23,926	37,434

Under the EIT Law and the Implementation Regulations of the EIT Law, our PRC subsidiaries, namely Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry, obtained qualification as High Technology Enterprise and were entitled to a preferential tax rate of 15% during the Track Record Period, except for 2017, when Morimatsu Heavy Industry failed to obtain qualification as High Technology Enterprise and thus, was subject to a 25% standard enterprise income tax rate. Pursuant to the relevant income tax rules and regulations of the United States, Pharmadule US was liable to the United States Corporate Tax at a rate of 35%, 21%, 21% and 21% in 2017, 2018, 2019 and for the nine months ended 30 September 2020, respectively, which represents federal income tax at a rate determined by income ranges. Pursuant to the relevant income tax rules and regulations of Sweden, Pharmadule Sweden was liable to the Sweden Corporate Tax at a rate of 22.0% in 2017 and 2018, and 21.4% in 2019 and 2020. No provision for Sweden Corporate Tax was made for Pharmadule Sweden as there was no income subject to Sweden Corporate Tax in 2017, 2018 and 2019. We were not liable for income tax in Japan, Hong Kong, India and Japan as we did not have any assessable profits arising from such areas during the Track Record Period.

Our income tax expenses of Continuing Operations were approximately RMB14.6 million, RMB31.4 million, RMB25.1 million and RMB37.4 million for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively, with effective income tax rate of Continuing Operations (calculated by dividing income tax of Continuing Operations by the profit before tax of Continuing Operations in the relevant period) of approximately 49.7%, 17.7%, 15.1% and 14.5%, respectively, for the corresponding periods. The relatively high effective income tax rate of Continuing Operations for the year ended 31 December 2017 was mainly attributable to the relatively lower profit before tax caused by the net loss recorded by Morimatsu Chemical Equipment in 2017, which ceased to be a subsidiary of our Group upon the Demerger.

During the Track Record Period and up to the Latest Practicable Date, we had fulfiled all our tax obligations and did not have any unresolved tax disputes, and we have not been subject to any tax audit or investigation.

RESULTS OF OUR CONTINUING OPERATIONS

Nine months ended 30 September 2020 compared to nine months ended 30 September 2019

Revenue

Our total revenue from Continuing Operations decreased by approximately RMB86.4 million, or 4.1%, from approximately RMB2,100.4 million for the nine months ended 30 September 2019 to approximately RMB2,014.0 million for the nine months ended 30 September 2020 mainly attributable to the decrease in the revenue generated from our sale of traditional pressure equipment business, while our sale of modular pressure equipment remained relatively stable during the same period. The following is the main reasons for fluctuations in revenue described by products and services. For more descriptions by different aspects, such as downstream industries, geographical location and customer classification,

please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue".

Sale of traditional pressure equipment. Our revenue from Continuing Operations decreased by approximately 10.8% from approximately RMB1,244.7 million for the nine months ended 30 September 2019 to approximately RMB1,110.2 million for the nine months ended 30 September 2020, mainly due to the decreased sales of heat exchangers with the decrease in revenue derived from chemical industry. During the Track Record Period, a majority of our sales of heat exchangers was made to chemical industry. For further details of the decrease in revenue derived from chemical industry for the nine months ended 30 September 2020 compared to the same period in 2019, please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — Downstream industries — Chemical".

Sale of modular pressure equipment. Our revenue from Continuing Operations slightly increased by approximately 4.1% from approximately RMB815.0 million for the nine months ended 30 September 2019 to approximately RMB848.7 million for the nine months ended 30 September 2020, which was relatively stable.

Cost of sales

Cost of sales of Continuing Operations decreased by approximately 11.7% to approximately RMB1,433.5 million for the nine months ended 30 September 2020 from approximately RMB1,623.1 million for the nine months ended 30 September 2019. This decrease was mainly the net effect of (i) the decrease in raw material and consumables used of approximately RMB143.9 million primarily as a result of the decrease of sales; and (ii) a decrease of approximately RMB59.7 million in installation and repair cost primarily due to the decrease in installation costs arising from the installation of a modular pressure equipment, a substantial part of which was already delivered to one of our customers in the first half of 2019. Such increase was partially offset by an increase in direct labour cost of approximately RMB27.1 million primarily attributable to (i) the increased direct labour cost incurred for modular pressure equipment which was in line with the increased revenue from modular pressure equipment; (ii) lower direct labour cost incurred for one pharmaceutical project in the United States in 2019 compared to 2020 primarily due to that we outsourced certain processing works which were related to building electricity and heating system to sub-contractors to ensure the progress and quality of the project; and (iii) more direct labour costs incurred for one project in relation to biopharmaceutical downstream system of customer M, primarily due to the longer production period than expected caused by the adjustments of production schedule as required by customer M.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 21.6% to approximately RMB580.5 million for the nine months ended 30 September 2020 from approximately RMB477.3 million for the nine months ended 30 September 2019. Our overall gross profit margin from Continuing Operations increased significantly to approximately

28.8% for the nine months ended 30 September 2020 from approximately 22.7% for the same period in 2019 primarily due to the increases in gross profit margins of both traditional pressure equipment and modular pressure equipment. The following is the main reasons for fluctuations in gross profit margin described by products and services. For more descriptions by different aspects, such as downstream industries, geographical location and customer classification, please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin".

Gross profit margin from Continuing Operations of our traditional pressure equipment increased from approximately 24.9% for the nine months ended 30 September 2019 to approximately 30.9% for the nine months ended 30 September 2020 mainly reflected by the increase in gross profit margin from Continuing Operations of reactors from approximately 21.0% to 29.3% during the same period. Such increase was primarily attributable to (i) revenue derived from a purchase order from one of our customers with a relatively high gross profit margin of approximately 31.9%, which accounted for approximately 28.0% of our total sales of reactors. Such relatively high gross profit margin was mainly due to the facts that (a) manufacturer of this project was required to have advanced manufacturing technology due to the special materials used in this project specified by the customer; and (b) we purchased main raw materials for this project at favourable prices due to our large purchase volume which enhanced our bargaining power; and (ii) revenue derived from a purchase order from one of our customers with a relatively high gross profit margin of approximately 41.5% in view of the high confidential requirements requested by this customer, which accounted for approximately 10.2% of our total sales of reactors.

Gross profit margin from Continuing Operations of our modular equipment increased from approximately 18.1% for the nine months ended 30 September 2019 to approximately 24.5% for the nine months ended 30 September 2020. Such increase was primarily due to a purchase order of modular pressure equipment placed by one of our customers which had a high gross profit margin of approximately 46.7% with revenue contribution of approximately 19.1% in modular equipment business for the nine months ended 30 September 2020. Such high gross profit margin was primarily due to the facts that (i) supplier of this project was required to have strong design and manufacturing capabilities as a result of the complexity of this project, which led to less competition and higher estimated gross profit margin; and (ii) the actual cost of this project decreased as compared to its estimated cost as we optimised the design to reduce workload and negotiated with suppliers to lower the prices of raw materials.

In addition to the reasons discussed above, the increase in our gross profit margin from Continuing Operations for the nine months ended 30 September 2020 was also attributable to the decline of steel plate prices when we procured the relevant raw materials for some projects with large contract value, of which the contracts were entered into with our customers in the second half of 2018 when the steel plate prices were relatively high. As a result, the actual costs of these projects were lower than their estimated costs, thereby increasing their respective gross profit margins. Moreover, social insurance exemptions granted to us by local government authorities mainly in Nantong and Shanghai in order to mitigate the negative impacts of COVID-19, which was non-recurring in nature, also contributed to the increase in our overall gross profit margin from Continuing Operations for the nine months ended 30 September 2020.

Other loss

Our other loss of Continuing Operations decreased by approximately RMB6.7 million from approximately RMB11.4 million for the nine months ended 30 September 2019 to approximately RMB4.7 million for the nine months ended 30 September 2020. Such decrease was primarily attributable to (i) an increase in government grant received from the PRC local governments of approximately RMB4.4 million primarily in recognition of our contribution to local economic development and social stability; and (ii) a decrease in net foreign exchange losses of Continuing Operations of approximately RMB4.2 million mainly due to the combined effects that (a) less foreign exchange losses in relation to our bank loans denominated in JPY was recognised as the exchange rate between JPY and RMB remained relatively stable during the period from 1 January 2020 to 30 September 2020, while the JPY against RMB appreciated during the same period in 2019; and (b) a foreign exchange loss was recognised for a bank loan denominated in RMB and booked in HKD, which was borrowed by Morimatsu International Holdings Company Limited in May 2020 and repaid in August 2020 as the HKD against RMB depreciated during the period from May 2020 to August 2020. Such decreases in other loss was partially offset by (i) a decrease in changes in fair value of our financial assets and liabilities of approximately RMB1.4 million mainly due to the reversal of fair value of the hedging transactions, which was fully settled in 2019; and (ii) a decrease in investment income from Continuing Operations of approximately RMB1.9 million due to the decrease in our purchase of bank financial product.

Selling and marketing expenses

Our selling and marketing expenses of Continuing Operations decreased by approximately RMB11.8 million or 19.8% from approximately RMB59.7 million for the nine months ended 30 September 2019 to approximately RMB47.9 million for the nine months ended 30 September 2020. Such decrease was mainly attributable to (i) the decrease in our customer service fee of approximately RMB3.5 million mainly due to the decreased demand of our pre-sales services associated with pressure equipment, such as preparing preliminary proposal, caused by the COVID-19 outbreak; and (ii) a decrease in marketing and promotion expenses of approximately RMB3.9 million due to a fee of approximately RMB4.5 million which was paid to Morimatsu Houston Cooperation, a fellow subsidiary of our Group, in second half of 2019 for the goal of providing services that enable market expansion which include providing pre-sales, after-sales and other services for our products sold to North America. No similar fee was incurred during the nine months ended 30 September 2020.

General and administrative expenses

Our general and administrative expenses of Continuing Operations increased by approximately RMB29.4 million, or 18.7%, from approximately RMB157.2 million for the nine months ended 30 September 2019 to approximately RMB186.6 million for the nine months ended 30 September 2020. Such increase was mainly attributable to (i) an increase in listing expenses of approximately RMB12.6 million; and (ii) a share-based payment of approximately RMB20.3 million recognised for the nine months ended 30 September resulting from the options granted under the Pre-IPO Share Option Scheme, partially offset by

the decrease in staff cost of Continuing Operations of approximately RMB6.9 million mainly due to the partial exemption of social insurance granted by local government authorities mainly in Nantong and Shanghai in order to mitigate the negative impacts of COVID-19.

Research and development expenses

Our research and development expenses of Continuing Operations decreased by approximately RMB16.0 million or 17.6% due to an decrease of materials consumed as (i) we have accumulated general research materials over the years and hence devoted less resources purchasing general research materials; and (ii) less raw materials were consumed by the ongoing research and development projects due to the impact of COVID-19.

Finance costs

Our finance costs of Continuing Operations increased by approximately RMB2.8 million, or 56.4%, from approximately RMB5.0 million for the nine months ended 30 September 2019 to approximately RMB7.8 million for the nine months ended 30 September 2020, mainly attributable to an increase in bank borrowings with relatively high interest rates for the nine months ended 30 September 2020.

Income tax

Our income tax of Continuing Operations increased by approximately RMB13.5 million, or 56.5%, from approximately RMB23.9 million for the nine months ended 30 September 2019 to approximately RMB37.4 million for the nine months ended 30 September 2020 mainly attributable to an increase in profit before taxation, partially offset by the decrease in tax effect of unrecognised tax losses which was not probable to be utilised against future taxable profits before expiration.

Profit for the period

As a result of the foregoing, our profit from Continuing Operations for the nine months ended 30 September 2020 increased by approximately RMB92.1 million, or 71.3%, from approximately RMB129.1 million for the nine months ended 30 September 2019 to approximately RMB221.2 million for the nine months ended 30 September 2020.

Year ended 31 December 2019 compared to year ended 31 December 2018

Revenue

Our total revenue from Continuing Operations increased by RMB358.4 million, or 14.5%, from approximately RMB2,467.9 million for the year ended 31 December 2018 to approximately RMB2,826.3 million for the year ended 31 December 2019, which was mainly attributable to the increase in the revenue generated from our sale of traditional pressure equipment, partially offset by a decrease in the revenue generated from our sale of modular pressure equipment. The following is the main reasons for fluctuations in revenue described

by products and services. For more descriptions by different aspects, such as downstream industries, geographical location and customer classification, please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue".

Sale of traditional pressure equipment. Revenue from Continuing Operations from our sale of traditional pressure equipment increased by approximately RMB588.2 million, or 55.5%, from approximately RMB1,059.7 million for the year ended 31 December 2018 to approximately RMB1,647.9 million for the year ended 31 December 2019. Such increase was primarily due to our increased sales of heat exchangers made to customers in chemical industry and our increased sales of tanks made to the customer in shipping industry of approximately RMB559.1 million in 2019. To be more specific, (i) approximately 75.9% of our increased revenue from Continuing Operations derived from heat exchangers was contributed by Customer H and Customer K which are both principally engaged in chemical industry; and (ii) approximately 60.2% of our increased revenue from Continuing Operations derived from tanks was contributed by Customer C as the customer intended to capture the business opportunity brought by the tightening of the limit on sulphur in fuel oil proposed by IMO in November 2016, partially offset by the decrease revenue from Continuing Operations derived from purchase orders of heat exchangers and tanks contributed by other customers.

Sale of modular pressure equipment. Revenue from Continuing Operations from our sale of modular pressure equipment decreased by approximately RMB260.9 million, or 19.5%, from approximately RMB1,337.0 million in 2018 to approximately RMB1,076.1 million in 2019. Such decrease was mainly due to the decreased sales of modular pressure equipment made to personal care chemical industry, primarily reflected by (i) revenue from modular pressure equipment from Customer A decreased by approximately RMB299.8 million in 2019 as we delivered a large amount of modular pressure equipment to customer A in 2018 for its manufacturing facilities for personal care chemical product in the U.S. and Japan, whereas we had no projects with large contract amount delivered to Customer A in 2019; and (ii) revenue from modular pressure equipment from one of our customers, a global company selling fast-moving consumer goods, decreased by approximately RMB86.1 million mainly because the modular pressure equipment of a purchase order placed by such customer for its manufacturing facility for personal care liquid located in Pakistan was delivered in 2018, while the site installation for such modular pressure equipment was carried out in 2019, and thus relatively low revenue was recognised in 2019. Such decreased was partially offset by the increase in sales of modular pressure equipment of approximately RMB193.1 million made to customer I in pharmaceutical industry.

Cost of sales

Our cost of sales of Continuing Operations increased by approximately RMB267.5 million, or 13.7%, from approximately RMB1,955.9 million in 2018 to approximately RMB2,223.4 million in 2019, which was generally in line with the revenue growth, mainly attributable to an approximately 13.7% increase in raw material and consumables used.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit from Continuing Operations increased by approximately 17.8% to approximately RMB602.9 million in 2019 from approximately RMB511.9 million in 2018. The following is the main reasons for fluctuations in gross profit margin described by products and services. For more descriptions by different aspects, such as downstream industries, geographical location and customer classification, please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin".

Our gross profit margin from Continuing Operations slightly increased to approximately 21.3% in 2019 from approximately 20.7% in 2018, primarily contributed by the increase in profit margin of our traditional pressure equipment driven by the increased gross profit margin of tanks, partially offset by the decrease in profit margin of our modular pressure equipment. Gross profit margin of our tanks increased from approximately 14.4% in 2018 to approximately 30.9% in 2019 mainly due to certain new purchase orders from one of our customers that we were able to charge a relatively high gross profit margin of approximately 35.2% as a result of the short lead time required by customer, revenue from which accounted for approximately 38.5% of our total sales of tanks in 2019. Gross profit margin of our modular pressure equipment decreased from approximately 19.7% in 2018 to approximately 18.3% in 2019. This was mainly due to a significant decrease in sales made to one of our customer in personal care chemical industry with relatively higher gross profit margin, the majority of revenue derived from which was contributed by sales of modular pressure equipment. In addition, the steel plate price decreased slightly in 2019 as compared to 2018, which also made a contribution to the slight increase in our gross profit margin from Continuing Operations in 2019.

Other income

Our other income from Continuing Operations decreased by approximately RMB6.1 million from approximately RMB13.2 million in 2018 to approximately RMB7.1 million in 2019. Such decrease was primarily attributable to (i) a decrease in our rental income of approximately RMB4.3 million due to our cessation to lease our properties located in Nantong to Morimatsu Pressure Vessel since October 2018 and thus no rental income received in 2019; and (ii) a decrease in government grant received from local government in 2019 of approximately RMB4.2 million, partially offset by the fluctuation in changes in fair value of our financial assets and liabilities. We recognised the fair value of our hedging transactions that we entered into in 2018 based on the estimated amount that we would receive or pay to transfer them as at 31 December 2018 and wrote it off as we fully settled them in 2019.

Selling and marketing expenses

Our selling and marketing expenses of Continuing Operations increased by approximately RMB10.7 million, or 13.8%, from approximately RMB77.4 million in 2018 to approximately RMB88.1 million in 2019. Such increase was mainly attributable to (i) an increase in staff cost of approximately RMB6.7 million mainly as a result of our enhanced

sales and marketing force; (ii) an increase in the commission fee of approximately RMB6.0 million due to the increase in revenue generated from customers that were introduced by the third-party sales representatives of approximately RMB313.0 million in 2019, as compared with 2018, partially offset by a decrease in customer service fee of approximately RMB6.5 million mainly due to the decreased demand for our presales services associated with pressure equipment, including conducting preliminary design in 2019, as a result from the adoption of conservative method to offer presales services to potential customers that are more likely to cooperate with us.

General and administrative expenses

Our general and administrative expenses of Continuing Operations increased by approximately RMB79.7 million, or 55.5%, from approximately RMB143.6 million in 2018 to approximately RMB223.3 million in 2019. Such increase was mainly attributable to (i) a decrease in the reversal of bad debt loss of approximately RMB34.6 million; and (ii) an increase in staff welfare of approximately RMB13.8 million mainly due to the increased expenses relating to meal allowance to our staff and team building activities.

Research and development expenses

Our research and development expenses of Continuing Operations increased by approximately RMB5.4 million, or 4.5%, from approximately RMB120.7 million for in 2018 to approximately RMB126.1 million in 2019. Such increase was mainly attributable to the increase in our staff cost of approximately RMB17.8 million mainly due to the increase of our research and development force in 2019, partially offset by the decrease in material consumed of approximately RMB12.7 million mainly due to less raw materials consumed by the ongoing research and development projects in 2019.

Finance costs

Our finance costs of Continuing Operations increased by approximately RMB0.9 million, or 16.4%, from approximately RMB5.5 million in 2018 to approximately RMB6.4 million in 2019, mainly attributable to an increase in interest on interest-bearing borrowings of approximately RMB0.9 million mainly due to the interest contributed by borrowings from related parties borrowed at the end of 2018.

Income tax

Our income tax from Continuing Operations decreased by approximately RMB6.3 million, or 20.1%, from approximately RMB31.4 million in 2018 to approximately RMB25.1 million in 2019 mainly attributable to the decrease in our profit before tax from Continuing Operations, partially offset by the decrease in our tax effect of our unrecognised temporary difference.

Profit for the year

As a result of the foregoing, our profit for the year from Continuing Operations decreased by approximately RMB5.6 million or 3.8% from approximately RMB146.5 million in 2018 to approximately RMB140.9 million in 2019.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue from Continuing Operations increased by approximately RMB897.8 million, or 57.2%, from approximately RMB1,570.1 million in 2017 to approximately RMB2,467.9 million in 2018, mainly attributable to the increases both in the revenue generated from our sale of traditional pressure equipment and modular pressure equipment. The following is the main reasons for fluctuations in revenue described by products and services. For more descriptions by different aspects, such as downstream industries, geographical location and customer classification, please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue".

Sale of traditional pressure equipment. Revenue from Continuing Operations from our sale of traditional pressure equipment increased by approximately RMB515.1 million, or 94.6%, from approximately RMB544.6 million in 2017 to approximately RMB1,059.7 million in 2018 mainly due to the increase in revenue generated from our sale of reactors and heat exchangers in electronic chemical and chemical industries of approximately RMB573.8 million. To be more specific, (i) approximately 60.4% of our increased revenue from Continuing Operations derived from purchase orders of reactors and heat exchangers was contributed by Customer E and Customer G, which are both principally engaged in the provision of electronic chemical products and materials. Such increase was mainly due to the rising demand of reduction furnace in 2018, which is the key equipment for the purification for electronic chemical material, in mainland China market; and (ii) approximately 13.7% of our increased revenue from Continuing Operations derived from purchase orders of reactors and heat exchangers was contributed by Customer H which is principally engaged in chemical industry, partially offset by the decreased revenue from Continuing Operations derived from purchase orders of reactors and heat exchangers contributed by other customers.

Sale of modular pressure equipment. Revenue from Continuing Operations from our sale of modular pressure equipment increased by approximately RMB382.4 million, or 40.1%, from approximately RMB954.6 million in 2017 to approximately RMB1,337.0 million in 2018. Such increase was mainly due to the increased revenue of approximately RMB375.3 million contributed by customers engaging in pharmaceutical, electronic chemical and personal care chemical industries. To be more specific, (i) approximately 41.3% of our increased revenue from Continuing Operations derived from modular pressure equipment was contributed by two of our customers engaging in personal care chemical industry. One is a global company selling fast-moving consumer goods and another one is a Chinese company in

personal care chemical industry which mainly engaged in engineering EPC, engineering design, consultation and supervision in various industries and countries; (ii) approximately 25.1% of our increased revenue from Continuing Operations derived from modular pressure equipment was contributed by two new customers engaging in pharmaceutical industry in the PRC we acquired in 2017 and 2018 due to our continuous marketing efforts, revenue from which was mostly recognised in 2018; and (iii) approximately 17.4% of our increased revenue from Continuing Operations derived from modular pressure equipment was contributed by one of our customers which is principally engaged in the provision of electronic products and materials.

Cost of sales

Our cost of sales of Continuing Operations increased by approximately RMB669.2 million, or 52.0%, from approximately RMB1,286.7 million in 2017 to approximately RMB1,955.9 million in 2018, mainly due to an approximately 79.7% increase in raw material and consumables used. The increase in our raw material and consumables used was higher than that in our total revenue of approximately 57.2%, mainly because the steel plate prices increased during 2016 and 2017.

Gross profit and gross profit margin

As a result of above, our gross profit from Continuing Operations increased by approximately RMB228.5 million, or 80.6%, from approximately RMB283.4 million in 2017 to approximately RMB511.9 million in 2018. The following is the main reasons for fluctuations in gross profit margin described by products and services. For more descriptions by different aspects, such as downstream industries, geographical location and customer classification, please see "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin".

Our overall gross profit margin from Continuing Operations increased from approximately 18.1% in 2017 to approximately 20.7% in 2018 attributable to (i) the increase in the gross profit margin of the reactors from approximately 13.4% in 2017 to approximately 20.4% in 2018 mainly due to that fact that we strategically lowered our price of reactors sold to renowned and well established customers in chemical industry in 2016 and 2017 to retain our relationship with them and we strategically increased our product price gradually since the second half of 2017 as there had been a growing demand from chemical industry and our production capacity was almost fully utilised; and (ii) the negative gross profit margin of heat exchangers of approximately 8.8% recorded for our heat exchangers in 2017 as compare to a positive gross profit margin of approximately 22.3% as recorded for our heat exchangers in 2018 mainly due to the fact that (a) we offered discounts for one project in Turkey due to the delay in delivery of our products under the projects. The delay of the project was due to the involvement of various stakeholders in the project, which resulted in longer time than expected to finalise the design and manufacture the products to accommodate the requirements of different stakeholders; (b) we incurred additional costs of approximately RMB4.8 million, which included additional costs of raw materials and consumables used, direct labour cost and production overhead cost in a project, for further details of which,

please see the "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Downstream Industries — Chemical"; and (c) the low gross profit margin of heat exchangers sold to chemical industry in 2017.

In addition to the reasons discussed above, the increased trend of steel plate prices during 2015 and 2017 also contributed the lower gross profit margin in 2017. This was mainly because a significant number of contracts, revenue from which was recognised in 2017, were entered into with our customers before 2017 when the steel plate prices were relatively low and then we procured the relevant raw material for such contracts at higher prices at a later time.

Other income

Our other income from Continuing Operations decreased by approximately RMB6.2 million from approximately RMB19.4 million in 2017 to approximately RMB13.2 million in 2018. Such decrease was primarily attributable to an increase in net foreign exchange loss of approximately RMB5.9 million mainly caused by borrowings from related parties denominated in JPY and the appreciation of JPY against RMB in 2018.

Selling and marketing expenses

Our selling and marketing expenses of Continuing Operations increased by approximately RMB41.6 million, or 116.2%, from approximately RMB35.8 million in 2017 to approximately RMB77.4 million in 2018. Such increase was mainly attributable to (i) an increase in the commission fee of approximately RMB13.9 million or 253.7% due to the increase in revenue generated from customers that were introduced by the third-party sales representatives; (ii) an increase in marketing promotion expenses of approximately RMB10.1 million or 383.5% mainly for developing overseas market; (iii) an increase in customer service fee of approximately RMB8.5 million or 87.0% mainly due to the increased demand of our presales services associated with pressure equipment, including preliminary design in 2018, mainly attributable to our strategy to attract more customers to engage with us by offering more presales services; and (iv) an increase in staff costs of approximately RMB5.8 million or 50.9% mainly attributable to our recruitment of additional 159 sales and marketing staff to enhance our sales and marketing force. To boost our revenue growth in 2018, we took aggressive selling and marketing strategies and allocated more selling and marketing expenses with the aim to attract more customers and secure more contract orders. Please refer to the paragraph headed "— Description of Principal Items in the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — Our marketing efforts" in this section for further details of our marketing efforts. While our enhanced sales and marketing efforts had been proven to be effective as demonstrated by a significant increase in our revenue by approximately 57.2%, the selling and marketing efforts were not necessarily be directly proportional to revenue growth. In particular, the expansion of our sales and marketing force in 2018 was not only to boost our revenue growth in short term but also to facilitate our business expansion in the long run. Moreover, we recorded a larger proportion of revenue generated from customers that were introduced by the third-party

sales representatives in 2018 as compared to 2017, which led to an increase in commission fee by approximately 253.7%. As a result, the increase in selling and marketing expenses in 2018 outpaced the increase in revenue.

General and administrative expenses

Our general and administrative expenses of Continuing Operations decreased by approximately RMB7.7 million, or 5.1%, from approximately RMB151.3 million in 2017 to approximately RMB143.6 million in 2018. Such decrease was mainly attributable to an increase in the reversal of bad debt loss of approximately RMB41.3 million mainly due to the reversal of bad debt of approximately RMB39.5 million as a result of the recovery of the trade receivable from one of our customers which was previously recognised as an impairment loss. We recognised the bad debt as an impairment loss in 2017 because a customer refused to pay the bill of a project for approximately more than two years. We reversed the bad debt of this customer in 2018 as we and the customer entered into an agreement pursuant to the judgement of China International Economic and Trade Arbitration to settle the bill with certain discounts.

Research and development expenses

Our research and development expenses of Continuing Operations increased by approximately RMB33.5 million, or 38.4%, from approximately RMB87.2 million in 2017 to approximately RMB120.7 million in 2018. Such increase was mainly attributable to more human resource and materials being invested in research and development to support our business expansion.

Finance costs

Our finance costs of Continuing Operations decreased by approximately RMB3.1 million, or 36.0%, from approximately RMB8.6 million in 2017 to approximately RMB5.5 million in 2018. Such decrease was mainly attributable to a decrease in bank loans in 2018.

Income tax

Our income tax of Continuing Operations increased by approximately RMB16.8 million, or 115.1%, from approximately RMB14.6 million in 2017 to approximately RMB31.4 million in 2018. Such increase was mainly attributable to the increase in profit before tax from our Continuing Operations, partially offset by the increase in our tax effect of our unrecognised temporary difference.

Profit for the year

Our profit for the year from Continuing Operations recorded a significant increase of 889.9% from 2017 to 2018, which far outpaced the growth of our revenue during the same period. This was primarily due to (i) the increased revenue, together with the increase in our gross profit margin from 18.1% in 2017 to 20.7% in 2018, resulting in a substantial increase in our gross profit; (ii) our general and administrative expenses and research and development

expenses were relatively less sensitive to our increased sales in 2018; and (iii) the relatively lower level of profit for the year from Continuing Operations in 2017.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash generated from our operations and bank borrowings. Our primary liquidity requirements are to fund our operations, capital expenditures and payments of principal and interest due on our bank borrowings. Following completion of the Global Offering, we expect to fund our future operations and expansion plans principally with cash generated from our Continuing Operations, net proceeds from the Global Offering, bank borrowings and other funds raised from capital markets, as and when necessary.

Cash flows

The following table sets out a condensed summary of our combined statements of cash flows during the Track Record Period which are extracted from the Accountants' Report as set out in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto.

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	361,477	345,267	205,934	221,672	131,766
Net cash generated from/(used in) investing activities	21,280	(318,105)	(211,807)	(177,748)	(90,631)
Net cash (used in)/ generated from financing activities	(244,373)	125,112	(69,911)	(106,277)	(34,737)
Net increase/(decrease) in cash and cash equivalents	123,907	167,083	(70,633)	(58,799)	451
Effect of foreign exchange rate changes	(14,477)	14,809	5,151	3,554	(5,947)
Cash and cash equivalents at 1 January	231,041	354,948	522,031	522,031	451,398
Cash and cash equivalents at 30 September/31 December	354,948	522,031	451,398	463,232	451,849

Net cash generated from operating activities

During the Track Record Period, our cash generated from operating activities was principally from the receipt of cash for our offering of pressure equipment and value added services associated with the pressure equipment. Our cash outflow used in operating activities was principally for purchases of raw materials, parts and components used for the manufacture of our pressure equipment.

For the nine months ended 30 September 2020, our Group had net cash generated from operating activities of approximately RMB131.8 million, mainly due to (i) the profit before taxation of approximately RMB258.6 million generated for the period; (ii) the decrease in inventories of approximately RMB216.8 million mainly reflected by the decrease in work in progress as a result of the delivery of a few purchase orders with relatively large contract value close to completion as at 31 December 2019; (iii) the decrease in trade and other receivables of approximately RMB56.1 million; (iv) depreciation of property, plant and equipment of approximately RMB48.2 million; and (v) equity-settled share-based payment expenses of approximately RMB20.3 million, partially offset by (i) the decrease in contract liabilities of approximately RMB238.8 million mainly due to the recognition of revenue from the customers with significant advance payments as at 31 December 2019; (ii) the decrease in the trade and other payables of approximately RMB191.0 million; and (iii) the increase in contract assets of approximately RMB59.7 million.

For the year ended 31 December 2019, our Group had net cash generated from operating activities of approximately RMB205.9 million, mainly due to (i) the profit before taxation of approximately RMB170.3 million generated for the year; (ii) the increase in contract liabilities of approximately RMB251.2 million mainly in relation to the Demerger; (iii) the increase in trade and other payables of approximately RMB121.0 million mainly in relation to the Demerger; and (iv) the decrease in trade and other receivables of approximately RMB51.0 million after considering a negative impact of approximately RMB313.2 million contributed by the Demerger, partially offset by the increase in inventories of approximately RMB408.9 million.

For the year ended 31 December 2018, our Group had net cash generated from operating activities of approximately RMB345.3 million, mainly due to (i) the profit before taxation of approximately RMB154.1 million generated for the year; (ii) the increase in contract liabilities of approximately RMB541.1 million mainly due to more advance payment made by our customers; (iii) the increase in trade and other payables of approximately RMB394.7 million; and (iv) depreciation of property, plant and equipment of approximately RMB76.9 million, partially offset by (i) the increase in inventories of approximately RMB424.8 million mainly attributable to the increase in raw material and work in progress to meet the increased sales orders as at 31 December 2018; and (ii) the increase in trade and other receivables of approximately RMB417.7 million.

For the year ended 31 December 2017, our Group had net cash generated from operating activities of approximately RMB361.5 million, mainly due to (i) the profit before taxation of approximately RMB4.4 million generated for the year; (ii) the decrease in inventories of approximately RMB134.6 million; (iii) the decrease in trade and other receivables of approximately RMB74.1 million; (iv) the increase in trade and other payables of approximately RMB58.6 million; and (v) the depreciation of property, plant and equipment of approximately RMB77.4 million, partially offset by the decrease in contract liabilities of approximately RMB11.9 million.

Net cash generated from/(used in) investing activities

During the Track Record Period, our cash generated from investing activities were principally from net cash received from disposal of financial assets measured at fair value through profit and loss (FVPL), cash received from disposal of a subsidiary, cash received from capital reduction in an associate, proceeds from sale of property, plant and equipment, loans repaid by associate, loans repaid by employees, and interest income received. Our cash used in investing activities was principally for payment for the purchase of property, plant and equipment, net cash paid for acquisition of financial assets measured at FVPL, loans to associate, and loans to employees.

For the nine months ended 30 September 2020, our Group had net cash used in investing activities of approximately RMB90.6 million, primarily attributable to our payment for the purchase of property, plant and equipment of approximately RMB83.7 million.

For the year ended 31 December 2019, our Group had net cash used in investing activities of approximately RMB211.8 million, primarily attributable to (i) payment for the purchase of property, plant and equipment of approximately RMB139.2 million; and (ii) cash paid for acquisition of financial assets measured at FVPL which were mainly bank financial products of approximately RMB79.8 million, partially offset by proceeds from sale of property, plant and equipment of approximately RMB19.9 million.

For the year ended 31 December 2018, our Group had net cash used in investing activities of approximately RMB318.1 million, primarily attributable to deemed distribution in relation to the acquisition of equity interest of Morimatsu Heavy Industry to equity shareholders, Morimatsu Industry and Morimatsu Technology, of approximately RMB313.4 million.

For the year ended 31 December 2017, our Group had net cash generated from investing activities of approximately RMB21.3 million, primarily attributable to (i) cash received from disposal of financial assets measured at FVPL which were bank financial products of approximately RMB42.6 million; (ii) cash received from disposal of a subsidiary in 2016 of approximately RMB41.9 million; and (iii) interest received of approximately RMB3.4 million, partially offset by (i) our loans to Senhe Investment of approximately RMB33.0 million; (ii) payment for purchase of property, plant and equipment of approximately RMB22.6 million; and (iii) our loans to employees of approximately RMB13.4 million.

Net cash generated from/(used in) financing activities

During the Track Record Period, our cash generated from financing activities were principally from proceeds from borrowings from related parties and proceeds from bank loans, and our cash used in financing activities were principally from repayment of bank loans, repayment of borrowings from related parties, deemed distribution to equity shareholders and dividend paid.

For the nine months ended 30 September 2020, our Group had net cash used in financing activities of approximately RMB34.7 million, primarily attributable to (i) repayment of borrowings from related parties of approximately RMB667.8 million; (ii) repayment of bank loans of approximately RMB14.5 million; (iii) interest paid of approximately RMB7.8 million, partially offset by (i) proceeds from bank loans of approximately RMB441.4 million; and (ii) proceeds from borrowings from related parties of approximately RMB215.4 million, which was fully settled as at 30 September 2020.

For the year ended 31 December 2019, our Group had net cash used in financing activities of approximately RMB69.9 million, primarily attributable to (i) repayment of borrowings from related parties of approximately RMB95.6 million; (ii) the consideration paid in cash of approximately RMB20.1 million to the non-controlling shareholder for the acquisition of equity interest of Morimatsu Chemical Equipment in June 2019, partially offset by proceeds from borrowings from related parties of approximately RMB56.6 million.

For the year ended 31 December 2018, our Group had net cash generated from financing activities of approximately RMB125.1 million, primarily attributable to proceeds from borrowings from related parties of approximately RMB484.4 million, partially offset by (i) repayment of bank loans of approximately RMB181.3 million; and (ii) dividend paid of approximately RMB149.9 million.

For the year ended 31 December 2017, our Group had net cash used in financing activities of approximately RMB244.4 million, primarily attributable to (i) repayment of bank loans of approximately RMB230.7 million; (ii) repayment of borrowings from related parties of approximately RMB98.2 million; and (iii) divided paid of approximately RMB10.4 million, partially offset by (i) proceeds from bank loans of approximately RMB70.8 million; and (ii) repayment of borrowings from related parties of approximately RMB98.2 million.

CURRENT ASSETS AND CURRENT LIABILITIES

Net current assets

The following table sets forth the breakdown of our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	397,922	822,745	1,132,485	915,683	804,069
Contract assets	99,907	85,841	150,183	209,881	246,061
Trade and other receivables	531,731	949,008	585,033	529,206	582,047
Financial assets measured at FVPL	70,820	–	5,757	–	–
Cash and cash equivalents	354,948	522,031	451,398	451,849	424,428
	1,455,328	2,379,625	2,324,856	2,106,619	2,056,605
Current liabilities					
Trade and other payables	451,194	840,970	803,990	677,653	724,552
Contract liabilities	621,714	1,162,841	1,264,079	1,025,293	842,649
Interest-bearing borrowings	233,649	142,104	454,229	434,385	443,532
Financial liabilities measured at FVPL	–	1,342	–	–	–
Lease liabilities	1,143	1,238	1,854	1,111	882
Current taxation	11,708	13,451	13,008	4,498	5,594
	1,319,408	2,161,946	2,537,160	2,142,940	2,017,209
Net current assets/(liabilities)	135,920	217,679	(212,304)	(36,321)	39,396

Our net current assets increased by approximately RMB81.8 million, or 60.2%, from approximately RMB135.9 million as at 31 December 2017 to approximately RMB217.7 million as at 31 December 2018, primarily attributable to (i) the increase in inventories of approximately RMB424.8 million mainly due to the increased raw materials and work in progress to cope with increased demands from our customers in 2018; (ii) the increase of trade and other receivables of approximately RMB417.3 million mainly due to the increased revenue in 2018; and (iii) the increase in cash and cash equivalents of approximately RMB167.1 million, partially offset by (i) the increase in contract liabilities of approximately

RMB541.1 million mainly due to increased sales we made; and (ii) the increase in trade and other payables of approximately RMB389.8 million mainly in relation to trade payable to our suppliers of raw materials.

We recorded net current liabilities of approximately RMB212.3 million as at 31 December 2019 as compared to net current assets of approximately RMB217.7 million as at 31 December 2018, primarily attributable to (i) the Demerger in 2019, which led to a decrease of approximately RMB510.6 million in current assets (primarily including trade and other receivables, inventories and financial assets measured at FVPL) and approximately RMB341.3 million in current liabilities (primarily including trade and other payables, contract liabilities and interest-bearing borrowings) as at the date of disposal as disclosed in Note 5(c) to the Accountants' Report as set out in Appendix I to this prospectus; (ii) the increase in interest-bearing borrowings of approximately RMB312.1 million mainly due to the reclassification of certain of our borrowings from non-current liabilities to current liabilities, which were borrowed from related parties and matured within one year as at 31 December 2019; and (iii) the increase in contract liabilities of approximately RMB101.2 million mainly due to more advance payment made by our customers, partially offset by the increase in inventories of approximately RMB309.7 million mainly attributable to the increase in work in progress of approximately RMB442.0 million resulting from the increased number of projects we worked on as at 31 December 2019.

We recorded net current liabilities of approximately RMB36.3 million as at 30 September 2020 as compared to net current liabilities of approximately RMB212.3 million as at 31 December 2019, primarily attributable to (i) the decrease in contract liabilities of approximately RMB238.8 million mainly due to the contract liabilities recorded for three of our customers amounting to RMB367.4 million as at 31 December 2019 were subsequently settled; and (ii) the decrease in trade and other payables of approximately RMB126.3 million mainly due to the decrease in trade payable to our raw material suppliers, partially offset by the decrease in inventories of approximately RMB216.8 million mainly reflected by the decrease in work in progress as a result of the delivery of a few purchase orders with relatively large contract value close to completion as at 31 December 2019.

We recorded net current assets of approximately RMB39.4 million as at 31 December 2020 as compared to net current liabilities of approximately RMB36.3 million as at 30 September 2020, primarily attributable to the decrease in contract liabilities of approximately RMB182.6 million mainly due to the contract liabilities recorded for one of our customers amounting to approximately RMB113.0 million as at 30 September 2020 were subsequently recognised as our revenue, partially offset by the decrease in inventories of approximately RMB111.6 million mainly reflected by the decrease in work in progress as a result of the delivery of approximately RMB427.2 million work in progress as at 30 September 2020 to our customers during the three months ended 31 December 2020.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including our expected cash flow generated from our operating activities, the estimated net proceeds from the Global Offering and our credit facilities maintained with banks, our Group has sufficient working capital for our present requirements and for the next 12 months commencing from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consist of plant and buildings, machinery and equipment, office and other equipment, motor vehicles and construction in progress. Our

property, plant and equipment was approximately RMB1,012.2 million, RMB1,039.1 million, RMB810.4 million and RMB819.2 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. The balance of our property, plant and equipment remained relatively stable as at 31 December 2018 as compared with the balance as at 31 December 2017. The decrease in the balance of our property, plant and equipment of approximately RMB228.7 million as at 31 December 2019 was mainly due to the Demerger in 2019. The balance of our property, plant and equipment remained relatively stable as at 30 September 2020 as compared to 31 December 2019.

Right-of-use assets

Our right-of-use assets mainly represent (i) land use rights; and (ii) the plant and buildings we leased for our operations under the lease contracts.

Our right-of-use assets were approximately RMB167.5 million, RMB163.3 million, RMB112.3 million and RMB108.9 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. The balance of our right-of-use assets remained relatively stable as at 31 December 2018 as compared to 31 December 2017. The decrease in the balance of our right-of-use assets of approximately RMB51.0 million as at 31 December 2019 was mainly due to the Demerger in 2019. The balance of our right-of-use assets remained relatively stable as at 30 September 2020 as compared to 31 December 2019.

Intangible assets

Our intangible assets consist of patents and trademarks and software, which amounted to approximately RMB19.6 million, RMB21.3 million, RMB15.9 million and RMB29.5 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. The construction in progress included in intangible assets at the end of each reporting period primarily represented software purchased for office and project management, which were under test.

Financial assets measured at fair value through profit or loss (non-current)

Our financial assets measured at fair value (non-current) were approximately RMB8.0 million and RMB7.4 million as at 31 December 2017 and 2018, respectively, representing 1.53% equity interest held in Morimatsu Pressure Vessel prior to the Demerger. Such equity interest was disposed in 2019 due to the Demerger, and thus our financial assets measured at fair value balance (non-current) as at 31 December 2019 and 30 September 2020 was nil and nil, respectively.

The valuation work performed for financial assets (non-current)

Our investment in Morimatsu Pressure Vessel (unlisted equity securities) is categorised within level 3 of fair value measurement. As the investment size is relatively small, the Directors did not engage a valuer to perform the valuation. The fair value of unlisted equity securities is determined using the price to book ratios of comparable listed companies

adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

In order to perform valuations for the financial instruments, including unlisted equity securities, we have a team headed by the financial manager, which reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each financial statement reporting date and is reviewed and approved by the chief financial officer.

In relation to the valuation of the unlisted equity securities, the Directors have considered, among others, the following factors: (1) the terms of the unlisted equity securities subscription agreements, (2) the available market information of similar equity securities, and (3) the risk-adjusted discount rates of the equity securities. The discount is normally required to reflect the fact that there is no ready market for shares in privately held companies. We selected five comparable publicly quoted companies and use 30% as marketability discount rate to derive the relative market value.

Based on the above procedures and considerations, our Directors are of the view that the valuation of our level 3 financial instruments is fair and reasonable, and our financial statements are properly presented.

In relation to the valuation analysis performed by our Directors, the Sole Sponsor has conducted relevant due diligence work, including but not limited to (i) discussing with senior management regarding the nature and background of its investment in unlisted equity securities; (ii) reviewed valuation reports with analysis of changes in fair value measurement; (iii) reviewed the statutory financial statements of Morimatsu Pressure Vessel; and (iv) discussing with the Company and its reporting accountants about the methodology, assumptions and parameters for the valuation of the unlisted equity securities. Having considered the work done by our Directors and the Company's reporting accountants and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor attention that would cause the Sole Sponsor to question the valuation analysis performed by the Company on its level 3 financial instruments.

Details of the fair value measurement of our level 3 financial assets, are disclosed in note 31(e) to the Accountants' Report set forth in Appendix I.

Inventories

Our inventories mainly represented raw materials and work in progress. The following tables set out the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	127,149	416,188	283,923	222,385
Work in progress	270,773	406,557	848,562	693,298
	397,922	822,745	1,132,485	915,683

Our principal raw materials are steel materials such as steel plates, steel pipes and forgings, and the principal parts and components include valves, meters, pipe fittings and pumps. As our business is on project basis and our products are customised upon requests from our customers, we usually do not have inventory for finished goods at the end of each year/period.

Our inventories increased from approximately RMB397.9 million as at 31 December 2017 to approximately RMB822.7 million as at 31 December 2018 mainly attributable to the increase in raw material and work in progress to meet the increased sales orders in hand as at 31 December 2018. Our inventories further increased to approximately RMB1,132.5 million as at 31 December 2019 mainly attributable to the increase in work in progress of approximately RMB442.0 million resulting from the increased number of projects we worked on as at 31 December 2019. Our inventories decreased to approximately RMB915.7 million as at 30 September 2020 mainly due to the fact that a few purchase orders with relatively large contract value, which were close to completion as at 31 December 2019, were delivered to our customers during the nine months ended 30 September 2020.

As at 31 December 2020, approximately RMB522.3 million or 57.0% of our inventories had been used or consumed subsequent to 30 September 2020.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2017	**2018**	**2019**	**2020**
Inventory turnover days[1]	127	112	158	195

Note:

1. Inventory turnover days are calculated by dividing the average of the opening and closing balances of inventories (net of provision) for the relevant period by cost of sales (inclusive cost of sales of our Discontinued Operations, which was nil for the nine months ended 30 September 2020) and multiplying by the number of days in the relevant period (i.e. 365 days for a full financial year and 273 days for the nine months ended 30 September 2020).

Our inventory turnover days decreased from 127 days in 2017 to 112 days in 2018 mainly attributable to the increased consumption of raw materials and consumables purchased to produce heat exchangers and reactors to meet the need for our strong sales growth in 2018. Our inventory turnover days increased from 112 days in 2018 to 158 days in 2019 mainly attributable to the increased balance of work in progress, which was mainly due to a few purchase orders with relatively large contract value close to completion as at 31 December 2019. Our inventory turnover days increased from 158 days in 2019 to 195 days for the nine months ended 30 September 2020 mainly attributable to (i) the decline of steel plate prices when we procured the relevant raw materials for some of the projects with large contract value, of which the contracts were entered into with our customers in the second half of 2018 when the steel plate prices were relatively high, which contributed to the relatively low level of cost of sales for the nine months ended 30 September 2020; and (ii) the suspension of two projects and termination of two projects for the nine months ended 30 September 2020, respectively, due to COVID-19, which resulted in a relatively high level of the balance of work in progress.

Contract assets

Our contract assets mainly represent our right to consideration for work completed but not billed because such right remains subject to our future performance in achieving specified milestones stipulated in the relevant project contracts. The contract assets will be transferred to trade receivables when the rights become unconditional.

Our contract assets were approximately RMB99.9 million, RMB85.8 million, RMB150.2 million and RMB209.9 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively. The changes of our contract assets during the Track Record Period mainly reflected the state of our billing, the development stages of our projects and our continued expansion of our business.

As at 31 December 2020, we billed approximately RMB45.9 million, or 21.9%, of the outstanding balance of our contract assets as at 30 September 2020. Such low subsequent billing for contract assets was mainly due to the fact that certain projects with relatively large contract amount were still under site acceptance test or operation qualification by the customers as at 31 December 2020 due to the delay caused by the COVID-19 outbreak, including a project in relation to biopharmaceutical downstream system and a biomedicine industrialization project. Nevertheless, to the best knowledge and information of our Directors based on the communications with the relevant customers, they are not aware of any matters arising from the part of our Group that would hinder the site acceptance test or operation qualification by the relevant customers of our products and work done.

Trade and Other Receivables

The following table sets out the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	59,980	282,133	61,807	20,861
Trade debtors net of loss allowance	333,943	534,747	468,618	411,296
Other debtors *(Note)*	53,216	52,376	21,444	21,335
Financial assets measured at amortised cost	**447,139**	**869,256**	**551,869**	**453,492**
Prepayments	84,592	79,752	33,164	75,714
	531,731	949,008	585,033	529,206

Note: Other debtors primarily consist of bid securities, deposits, advance to our employees, interests receivable and other receivables.

Trade debtors

Our trade debtors mainly represent trade receivables from customers in connection with the sales of pressure equipment, net of loss allowance.

The following table sets forth an ageing analysis of our trade debtors net of loss allowance based on the date of invoice and net of loss allowance:

	As at 31 December			As at 30 September	Subsequent settlement as at 31 December
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	98,579	253,678	172,795	177,038	88,089
More than 3 months but less than 1 year	153,961	193,615	249,544	147,322	46,250
More than 1 year but less than 2 years	72,799	59,261	39,446	83,210	11,816
More than 2 years	8,604	28,193	6,833	3,726	708
	333,943	534,747	468,618	411,296	146,863

We generally grant our customers credit terms ranging from 30 days to 120 days from the issuing date of the invoice. Our finance department shall closely review the aging analysis of our trade and bills receivables on a monthly basis. Our sales personal are responsible for monitoring the collectability of such receivables of their respective customer accounts and shall actively follow up with the relevant customers in case of any delay in payment. Our sales department, finance department and legal department shall have a meeting together to discuss the overdue trade receivables and find out the corresponding solutions on a monthly basis. If necessary, certain overdue trade receivables will be reported to the general manager of our subsidiaries. As at 31 December 2020, approximately RMB152.2 million, or 37.0%, of our trade debtors as at 30 September 2020 had been subsequently settled. The ageing analysis of subsequent settlement of trade debtors (net of loss allowance) is set out in the table above.

Our Group measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses (ECLs), which is calculated using a provision matrix. Individual credit evaluations are performed on all customers who have high credit risk such as litigation issues. These evaluations focus on the customers' past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For details of credit risk and ECLs for trade debtors, please refer to Note 31 to the Accountants' Report set out in Appendix I to this prospectus.

As a considerable part of our customers are listed companies and state-owned enterprises that normally have great credit record, strong financial strength and relatively lengthy internal payment approval, depending on our relationship management and business development objectives, we may be receptive to additional flexibility through offering payment terms longer than the credit periods stipulated in the contracts to our customers when we consider it appropriate. Even though a substantial amount of our trade receivables aged over normal credit period, we only make provision for impairment on a project-by-project basis when there is objective evidence (such as litigation issues and the probability of insolvency or significant financial difficulties of the debtor) that we will not be able to collect all of the amount due under the original terms of an invoice.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, we had loss allowance of approximately RMB92.0 million, RMB43.8 million, RMB10.5 million and RMB1.1 million for the trade debtors due from the customers with high credit risk, respectively. Except for these individually impaired trade debtors, to the best knowledge of our Directors, there is no recoverability issue for other outstanding trade debtors aged for more than one year. Our Directors are of the view that adequate expected loss provision has been made.

The following table sets forth our trade debtors, bills receivable and contract assets turnover days for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
Trade debtors, bills receivable and contract assets turnover days[1]	125	102	100	90
Trade debtors and bills receivable turnover days[2]	101	88	85	65

Note:

1. The trade debtors, bills receivable and contract assets turnover days are calculated by dividing the average of the opening and closing balances of trade debtors, bills receivable (net of loss allowance) and contract assets for the relevant period by revenue (inclusive revenue of our Discontinued Operations, which was nil for the nine months ended 30 September 2020) and multiplying by the number of days in the relevant period (i.e. 365 days for a full financial year and 273 days for the nine months ended 30 September 2020).

2. The trade debtors and bills receivable turnover days are calculated by dividing the average of the opening and closing balances of trade debtors and bills receivable (net of loss allowance) for the relevant period by revenue (inclusive revenue of our Discontinued Operations, which was nil for the nine months ended 30 September 2020) and multiplying by the number of days in the relevant period (i.e. 365 days for a full financial year and 273 days for the nine months ended 30 September 2020).

Our trade debtors, bills receivable and contract assets turnover days decreased from 125 days in 2017 to 102 days in 2018 primarily due to our increase of revenue outpaced the increase in our trade debtors, bills receivable and contract assets from 2017 to 2018. Our trade debtors, bills receivable and contract assets turnover days remained relatively stable in 2019 as compared to 2018. Our trade debtor, bills receivables and contract assets turnover days decreased to approximately 90 days mainly due to the increase in efficiency in collection of trade debtor, bills receivables and contract assets for the nine months ended 30 September 2020. Our trade debtors, bills receivable and contract assets turnover days for each period during the Track Record Period were generally within our typical customer credit terms.

Our trade debtors and bills receivable turnover days were generally in line with the fluctuation in our trade debtors, bills receivable and contract assets turnover days.

Trade and Other Payables

The table below sets forth a breakdown of our trade and other payables as of the dates indicated:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payable	–	–	17,000	–
Trade payables	331,642	631,040	523,828	394,253
Other payables and accruals *(Note)*	119,552	209,930	263,162	283,400
	451,194	840,970	803,990	677,653

Note: Other payables and accruals mainly represent payables relating to employee payroll and welfare, payables in respect of purchase of property, plant and equipment, deposits from third parties, tax payables, dividends payable and other accruals.

Trade Payables

Our trade payables mainly represent our payables to raw material suppliers and outsourcing service providers. The following table sets forth an ageing analysis of our trade payables based on the invoice date:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	247,924	425,970	396,307	280,347
More than 3 months but less than 6 months	46,543	123,826	90,358	42,974
More than 6 months but less than 12 months	21,137	44,062	27,505	53,432
More than 1 year but less than 2 years	6,673	11,342	7,294	14,579
More than 2 years	9,365	25,840	2,364	2,921
	331,642	631,040	523,828	394,253

As at 31 December 2017, 2018 and 2019 and 30 September 2020, our trade payables amounted to approximately RMB331.6 million, RMB631.0 million, RMB523.8 million and RMB394.3 million, respectively. As at 31 December 2020, we had settled approximately RMB237.9 million, or 60.3%, of our trade payables as at 30 September 2020.

Our suppliers generally grant us credit terms ranging from 30 days to 120 days. The table below sets forth our bills payables and trade payables turnover days for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
Bills payables and trade payables turnover days[1]	97	88	95	89

Note:

1. The bills payables and trade payables turnover days are calculated by dividing the average of the opening and closing balances of the bills payables and trade payables for the relevant period by cost of sales (inclusive cost of sales of our Discontinued Operations, which was nil for the nine months ended 30 September 2020) and multiplying by the number of days in the relevant period (i.e. 365 days for a full financial year and 273 days for the nine months ended 30 September 2020).

Our bills payables and trade payables turnover days were approximately 97 days, 88 days, 95 days and 89 days for the year ended 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, which were in line with the range of credit period granted by our suppliers.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, we had contract liabilities of approximately RMB621.7 million, RMB1,162.8 million, RMB1,264.1 million and RMB1,025.3 million, respectively. The changes of our contract liabilities mainly reflected the stage of the life cycle of our projects and generally we had more contract liabilities in the former stage of the projects.

As at 31 December 2020, we recognised approximately RMB763.7 million, or 74.5%, of the outstanding balance of our contract liabilities as at 30 September 2020 as our revenue.

INDEBTEDNESS

Interest-bearing borrowings

As at 31 December 2017, 2018 and 2019, 30 September 2020 and 31 December 2020, we had total outstanding borrowings of approximately RMB233.6 million, RMB518.7 million, RMB468.2 million, RMB434.4 million and RMB443.5 million, respectively. The following table sets forth our bank loans and borrowings from related parties as of the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans					
– secured	138,962	–	8,000	267,260	268,312
– unsecured	–	–	–	167,125	175,220
	138,962	–	8,000	434,385	443,532
Borrowings from related parties					
– unsecured	94,687	518,698	460,181	–	–
	233,649	518,698	468,181	434,385	443,532

As at 30 September 2020, bank loan of approximately RMB267.3 million were guaranteed by Morimatsu Industry, which was fully released in December 2020 by replacing such guarantee with guarantees provided by Morimatsu China, Morimatsu Heavy Industry and Morimatsu pharmaceutical Equipment.

The following table sets forth our bank loans and borrowings from related parties in terms of repayment term as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	233,649	142,104	454,229	434,385	443,532
After 1 year but within 2 years	–	376,594	13,952	–	–
	233,649	518,698	468,181	434,385	443,532

The interest rates of our interest-bearing borrowings ranged from 1% to 4.13% per annum as at 31 December 2017, from 1% to 3% per annum as at 31 December 2018, from 1% to 3.58% as at 31 December 2019, from 2.43% to 4.39% per annum as at 30 September 2020 and from 1.09% to 4.39% per annum as at 31 December 2020.

As at 31 December 2020, we had approximately RMB1,898.0 million of banking facilities without any guarantees provided by related parties and third parties, of which approximately RMB972.2 million were utilised and approximately RMB925.8 million remained unutilised.

During the Track Record Period, in addition to the guarantees for our bank loans, Morimatsu Industry also provided guarantees for our letter of guarantee, letter of credit and bill payable, details of which are set out in Note 33(e) to the Accountants' Report set out in Appendix I to this prospectus. All of such guarantees were released in December 2020.

Our Directors confirm that we did not experience any material default in repayment of borrowings, breach of covenants nor experience any difficulty in obtaining borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there were no material covenants relating to our outstanding bank borrowings.

Lease liabilities

Our Group has adopted HKFRS 16 consistently throughout the Track Record Period. Leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligation) in our Group's combined statement of financial position. For details, see Note 2(i) to the Accountants' Report set out in Appendix I to this prospectus. As at 31 December 2017, 2018, 2019, 30 September 2020 and 31 December 2020, our Group has lease liabilities amounted to approximately RMB5.0 million, RMB5.1 million, RMB4.4 million, RMB3.0 million and RMB2.6 million, respectively.

Contingent liabilities

We had no material contingent liabilities as at 31 December 2017, 2018 and 2019, 30 September 2020 and 31 December 2020, respectively. As to the Demerger in 2019, the businesses other than our Group's continuing operations ("**Discontinued Businesses**") were carried out by Morimatsu Chemical Equipment and Morimatsu Solar Technology prior to the Demerger rather than Morimatsu China. Notwithstanding that 80% equity interest of Morimatsu Solar Technology, 76% equity interest of Morimatsu Chemical Equipment and 1.53% equity interest of Morimatsu Pressure Vessel held by Morimatsu China were assigned to Morimatsu Seiki, respectively, pursuant to the Demerger, the Discontinued Businesses remained to be carried out by Morimatsu Chemical Equipment and Morimatsu Solar Technology after the Demerger. As advised by the PRC Legal Advisers, according to the Company Law of the PRC, a company shall enjoy the status of an enterprise legal person and bears civil liabilities independently according to the relevant laws. In such circumstances, considering the Discontinued Businesses have been carried out by Morimatsu Solar Technology and Morimatsu Chemical Equipment prior to and subsequent to the Demerger, Morimatsu Chemical Equipment and Morimatsu Solar Technology, as two independent enterprise legal persons, instead of our Group (including Morimatsu China), shall bear their respective civil liabilities independently and be liable for any liabilities or obligations (including contingent liabilities) relating to the Discontinued Businesses prior to /subsequent to the Demerger.

Save as disclosed in this section, and apart from intra-group liabilities and normal trade payables, as at 31 December 2020, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has been no material change in our indebtedness since 31 December 2020.

CAPITAL EXPENDITURES

Our capital expenditures principally consisted of expenditures on plant and buildings, machinery and equipment, office and other equipment, and construction in progress. During the Track Record Period, we incurred capital expenditures of approximately RMB16.2 million, RMB105.8 million, RMB125.8 million and RMB57.9 million for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively, a majority of which were for construction in progress.

Based on our current expansion plans, we estimate that our payment for purchase of property, plant and equipment in the year ended 31 December 2020 and for the year ending 31 December 2021 would be approximately RMB129.7 million and RMB319.9 million, respectively. Our estimated capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information. We anticipate that the funds needed to finance our capital expenditures will be financed by cash generated from our operations, bank borrowings, as well as the estimated net proceeds from the Global Offering.

CAPITAL COMMITMENTS

Capital Commitments

We had the following capital commitments as at the dates indicated:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for	160,000	—	35,000	200,000
Contracted for but not provided for	2,448	68,275	20,238	11,382
	162,448	68,275	55,238	211,382

Operating lease Commitments

We rent a number of premises under operating lease arrangements. We had commitments for future minimum lease payments under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	347	1,204	335	14,114

OFF-BALANCE SHEET ARRANGEMENTS

We entered into five forward foreign exchange transactions in 2018 to sell a total amount of USD3.3 million at respective value dates in 2019 at respective rates of USD to RMB. The purpose of the forward foreign exchange transactions was to hedge our foreign currency exposure by fixing the exact amount of Renminbi we would receive for the sale of our US dollar upon maturity. The above-mentioned five forward foreign exchange transactions were fully settled in 2019. We have adopted the accounting treatment in relation to the financial instruments measured at fair value for the transactions. The fair value of the forward foreign exchange transaction agreements is the estimated amount that we would receive or pay to transfer the agreements at the end of the reporting period, taking into account current forward price which is derived from the People's Bank of China.

As at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements. Our management will consider to enter into suitable hedging transactions taking into account various factors such as global economic conditions, the demand and supply of a commodity or currency and relevant currency policies in the future.

DIVIDENDS

Dividends of approximately RMB22.1 million, RMB139.5 million and RMB2.4 million were declared by us in respect of the years ended 31 December 2017, 2018 and 2019, all of which have been fully paid. Dividend of approximately RMB30.0 million was declared by our Group in August 2020 and was fully paid in February 2021. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders. As our Company is a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions, mainly in relation to (i) purchase or sales of goods and services; (ii) purchase of property, plant and equipment and intangible assets; (iii) rental income and rental expense; (iv) loans to or from related parties and interest income and expenses; and (v) key management compensation. The following table sets forth the breakdown of our balances with related parties as at the dates indicated:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties (Trade)	**34,064**	**36,746**	**919**	**617**
Trade debtors net of loss allowance	29,015	15,176	919	177
Other debtors	4,959	14,709	–	–
Prepayments	–	6,861	–	440
Amounts due from related parties (Non-trade)	**37,682**	**2,664**	**90**	**–**
Other debtors	3,382	1,464	90	–
Loans to employees	1,300	1,200	–	–
Loans to associate	33,000	–	–	–
Amounts due to related parties (Trade)	**87,504**	**96,935**	**83,641**	**21,416**
Trade payables	8,235	17,666	83,641	21,416
Contract liabilities	79,269	79,269	–	–
Amounts due to related parties (Non-trade)	**124,596**	**549,904**	**506,153**	**65,959**
Borrowing from related parties	94,687	518,698	460,181	–
Other payables and accruals	29,909	31,206	45,972	65,959 *(Note 1)*

Notes:

1. This balance was fully settled as at the Latest Practicable Date.

These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all the above mentioned related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For further details on related party transactions and balances, see Note 32 to our combined financial statements set forth in the Accountants' Report included in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The table below sets out our certain key financial ratios during the Track Record Period:

	Year ended/As at 31 December			Nine months ended/As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Return on equity[1]	(0.6%)	11.3%	20.7%	24.3%
Return on assets[2]	(0.3%)	3.4%	4.5%	7.2%
Current ratio[3]	1.1	1.1	0.9	1.0
Quick ratio[4]	0.8	0.7	0.5	0.6
Gearing ratio[5]	0.2	0.5	0.7	0. 5
Gross profit margin[6]	18.1%	20.7%	21.3%	28.8%
Net profit margin[7]	0.9%	5.9%	5.0%	11.0%

Notes:

1. Return on equity is calculated based on the net profit of our Group for the year/period (inclusive of our Discontinued Operations) divided by the total equity at the end of the year/period and multiplied by 100%.

2. Return on assets is calculated based on the net profit for the year/period (inclusive of our Discontinued Operations) divided by the total assets at the end of the year/period and multiplied by 100%.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year/period.

4. Quick ratio is calculated based on the total current assets, netting off the closing balance of inventories, divided by the total current liabilities as at the end of the year/period.

5. Gearing ratio is calculated based on the total borrowings divided by the total equity as at the end of each year/period.

6. Gross profit margin is calculated based on the gross profit from Continuing Operations of our Group for the year/period divided by our revenue from Continuing Operations for the year/period.

7. Net profit margin is calculated based on the net profit from Continuing Operations of our Group for the year/period divided by our revenue from Continuing Operations for the year/period.

Return on equity

Our return on equity recorded a continuous increase during the three years ended 31 December 2019. Our return on equity was approximately 11.3% for the year ended 31 December 2018 as compared to approximately negative 0.6% for the year ended 31 December 2017, primarily contributed by a significant increase in our net profit from our Continuing Operations and a decrease in our equity because of a decrease in our merger reserve brought by the Reorganisation and the dividend declared in 2018. Our return on equity further increased to approximately 20.7% for the year ended 31 December 2019 mainly due to a further decrease in our equity because of the Demerger in 2019.

In preparation for the Global Offering, we carried out a series of restructuring steps for the purpose of establishing and streamlining our corporate structure for the Listing and to facilitate our growth and expansion strategy, including the Demerger in 2019. Prior to the Demerger, Morimatsu China held equity interests in the following entities: (i) 100% equity interest in Morimatsu Heavy Industry; (ii) 100% equity interest in Morimatsu Pharmaceutical Equipment; (iii) 100% equity interest in Pharmadule India (99% through Morimatsu Pharmaceutical Equipment and 1% directly); (iv) 100% equity interest in Morimatsu Investment HK; (v) 80% equity interest in Morimatsu Solar Technology; (vi) 76% equity interest in Morimatsu Chemical Equipment; and (vii) 1.53% equity interest in Morimatsu Pressure Vessel. (i) to (iv) are collectively referred as the "**Retained Interests**" and (v) to (vii) are collectively referred as the "**Excluded Interests**").

Immediately following the Demerger, Morimatsu China demerged into two separate companies, namely, Morimatsu China and Morimatsu Seiki, whereby the Retained Interests remained to be held by Morimatsu China and the Excluded Interests became to be held by Morimatsu Seiki. At the date of Demerger, the assets, liabilities and related equity balances of the Excluded Interests were no longer combined into the combined statement of financial position, which resulted in a decrease in our Group's equity of approximately RMB525.2 million in 2019. For details, see Note 5(c) and Note 29(f)(ii) to the Accountants' Report set out in Appendix I to this prospectus.

Return on assets

Our return on assets recorded a continuous increase during the three years ended 31 December 2019. We recorded negative return on assets of approximately 0.3% for the year ended 31 December 2017 and return on assets of approximately 3.4% for the year ended 31 December 2018, primarily because a significant increase in our net profit from our Continuing Operations which outpaced the growth of our total assets. Our return on assets further increased to approximately 4.5% for the year ended 31 December 2019 because of a decrease in our total assets, which was primarily attributable to the decrease in our property, plant and equipment and trade and other receivables brought by the Demerger in 2019.

Current ratio

Our current ratio remained stable at approximately 1.1 as at 31 December 2017 and 2018, and decreased slightly to approximately 0.9 as at 31 December 2019 mainly due to an increase in our current liabilities. Such increase was mainly due to the reclassification of our interest-bearing borrowings from related parties, which matured within one year as at 31 December 2019, from our non-current liabilities to our current liabilities. Our current ratio remained relatively stable at approximately 1.0 as at 30 September 2020.

Quick ratio

Our quick ratio was approximately 0.8, 0.7, 0.5 and 0.6 as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, which was generally in line with the fluctuation in our current ratio.

Gearing ratio

Our gearing ratio increased from approximately 0.2 as at 31 December 2017 to approximately 0.5 as at 31 December 2018, mainly due to a significant increase in our interest-bearing borrowings from related parties and a decrease in our equity because of a decrease in our merger reserve brought by the Reorganisation and the dividend declared in 2018. Our gearing ratio further increased to approximately 0.7 as at 31 December 2019, mainly due to a decrease in our equity because of the Demerger. Our gearing ratio decreased to approximately 0.5 as at 30 September 2020 because of an increase in our equity attributable to the net profit of approximately RMB221.2 million recorded for the nine months ended 30 September 2020.

Gross profit margin

Our gross profit margin was approximately 18.1%, 20.7%, 21.3% and 28.8% for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. For details, please refer to the paragraph headed "— Results of our Continuing Operations" in this section.

Net profit margin

Our net profit margin increased from approximately 0.9% for the year ended 31 December 2017 to approximately 5.9% for the year ended 31 December 2018, primarily attributable to an increase in our gross profit margin, coupled with a decrease in our general and administrative expenses for the year ended 31 December 2018. Our net profit margin remained relatively stable at approximately 5.9% and 5.0% for the years ended 31 December 2018 and 2019, respectively. Our net profit margin increased from approximately 6.1% for the nine months ended 30 September 2019 to approximately 11.0% for the nine months ended 30 September 2020 primarily attributable to an increase in our gross profit margin, partially offset by an increase in our general and administrative expenses for the nine months ended 30 September 2020.

LISTING EXPENSES

Listing expenses represent professional fees and underwriting commission incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK$3.20 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses is estimated to be approximately HK$71.5 million, of which (i) approximately HK$29.8 million had been charged to our profit or loss for the two years ended 31 December 2019 and the nine months ended 30 September 2020; (ii) approximately HK$24.0 million will be deducted from equity upon Listing; and (iii) approximately HK$17.7 million is expected to be charged to our profit or loss for the three months ended 31 December 2020 and the year ending 31 December 2021. The actual amounts to be recognised to the profit or loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

The listing expenses stated above are the current estimation for reference purposes and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Accordingly, prospective investors should note that the financial performance of our Group for the year ended 31 December 2020 and for the year ending 31 December 2021 may be materially and adversely affected by the listing expenses mentioned above.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2020

Our Directors estimate, on the bases set out in Appendix III to this prospectus, that our estimated consolidated profit attributable to equity shareholders of our Company for the year ended 31 December 2020 is as follows:

Estimated consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020	Not less than RMB270.0 million (equivalent to approximately HK$320.4 million)

The profit estimate, for which the Directors are solely responsible, has been prepared by them based on (i) the audited combined results of our Group for the nine months ended 30 September 2020 as set out in the Appendix I to this prospectus; and (ii) the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 December 2020.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

FINANCIAL RISK MANAGEMENT

During the Track Record Period, we were principally subject to credit, liquidity, interest rate and currency risks arising in the normal course of our business. Please refer to Note 31 included in the Accountants' Report in Appendix I to this prospectus for details.

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield Limited, an independent property valuer, has valued our property interests as of 31 December 2020 and is of the opinion that the aggregate value of our property interests attributable to our Group as of such date was approximately RMB941.0 million and the total market value in existing state as of such date was approximately RMB941.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus. A reconciliation of the net book value of our properties as of 30 September 2020 as set out in the Accountants' Report in

Appendix I to this prospectus to their fair value as of 31 December 2020 as stated in the property valuation report set out in the Property Valuation Report in Appendix IV to this prospectus is set out below:

	RMB million
Plant and buildings	639.7
Construction in progress	19.6
Land use rights	106.0
Net book value as at 30 September 2020	765.3
Add: Additions during the three months ended 31 December 2020	24.2
Less: Depreciation during the three months ended 31 December 2020	(10.3)
Net book value as at 31 December 2020	779.2
Valuation surplus as at 31 December 2020	161.8
Valuation as at 31 December 2020 as set out in the Property Valuation Report in Appendix IV to this prospectus	941.0

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As at 30 September 2020, our aggregate value of backlog was approximately RMB3,588.0 million, comprising approximately RMB2,324.6 million, RMB1,224.9 million and RMB38.5 million from contracts related to traditional pressure equipment, modular pressure equipment and value-added services associated with pressure equipment, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we entered into 246 new contracts with an aggregate contract sum of approximately RMB1,556.4 million. As at the Latest Practicable Date, our aggregate value of backlog was approximately RMB5,144.5 million.

We expect to record a significant decrease in our net profit for the year ending 31 December 2021 as compared to the year ended 31 December 2020, mainly attributable to (i) the estimated decrease in gross profit in 2021, primarily due to the estimated decrease in gross profit and gross profit margins of traditional pressure equipment in the same year; and (ii) the expected increase in our operation expenses in 2021 as compared to 2020, primarily due to (a) the increase in operation expenses (such as selling and marketing expenses and general and administrative expenses (excluding share-based payment expenses)), as the COVID-19 is expected to be gradually under control domestically, and hence our operation expenses are expected to gradually return to normal level during the year of 2021; and (b) the estimated increase in share-based payment expenses (to be included in general and administrative expenses) resulting from the options granted under the Pre-IPO Share Option Scheme from 1 July 2020. Moreover, our payment of social insurance contribution had been reduced by approximately RMB29.1 million for the nine months ended 30 September 2020 under the

social insurance exemptions granted by local government authorities mainly in Nantong and Shanghai for mitigating the negative impacts of COVID-19, which was non-recurring in nature.

Save for the listing expenses as disclosed in the paragraph headed "Listing expenses" in this section, to their best knowledge, our Directors confirm that since 30 September 2020, being the date of the latest audited financial statements of our Group, and up to the date of this prospectus, there has been no material adverse change in our business model, financial or trading position and prospects. Our Directors also confirm that there has been no events since 30 September 2020 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" of this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$3.20, being the mid-point of the indicative Offer Price range, and that the Over-allotment Option is not exercised, will be approximately HK$728.5 million (approximately RMB613.9 million). We currently intend to apply the net proceeds from the Global Offering in the following manner:

1. approximately 71.5% or HK$520.9 million (approximately RMB438.9 million) will be used for enhancing our production capacity and production capability, among which:

    - approximately 40.7% or HK$296.7 million (approximately RMB250.0 million) will be used for enhancing our production capacity of manufacturing heavy-duty traditional pressure equipment and modular pressure equipment, mainly for the application in chemical, mining and metallurgical, oil and gas and electronic chemical industries, by building four new production workshops at our Nantong production base with a total gross floor area of approximately 36,000 sq.m., comprising a new workshop for processing heavy-duty traditional pressure equipment, a new workshop for assembling heavy-duty traditional pressure equipment and two new workshops for assembling modular pressure equipment. We expected to commence the construction work in or around the first quarter of 2021 and commence production in or around the fourth quarter of 2022;

Set out below is a breakdown of the estimated total costs for building the four production workshops at our Nantong production base to enhance our production capacity:

	Production work shop description	Estimated construction costs *(RMB million)*	Estimated machinery and equipment costs *(Note 2)* *(RMB million)*
1.	Workshop for processing heavy-duty traditional pressure equipment "Heavy-duty Workshop No.1"	30.0 *(Note 1)*	60.0 *(Note 1)*
2.	Workshop for assembling heavy-duty traditional pressure equipment	60.0 *(Note 1)*	20.0 *(Note 3)*
3.	Workshop for assembling modular pressure equipment No.1	80.0 *(Note 1)*	20.0 *(Note 3)*
4.	Workshop for assembling modular pressure equipment No.2	80.0 *(Note 1)*	20.0 *(Note 3)*
	Total	250.0	120.0

Note 1: We plan to finance the costs with the net proceeds from the Global Offering.

Note 2: Most of the key machinery and equipment could be used interchangeably for manufacturing heavy-duty traditional pressure equipment and modular pressure equipment for the application in various industries.

Note 3: We plan to finance the costs with our internal resources and bank borrowings.

- approximately 21.0% or HK$153.0 million (approximately RMB128.9 million) will be used for expanding our production capacity to manufacture modular pressure equipment mainly in pharmaceutical and personal care chemical industries, among which (i) approximately HK$106.9 million (approximately RMB90.0 million) would be used to purchase a land adjacent to our Nantong production base with a total gross floor area of approximately 200,000 sq.m.; and (ii) approximately HK$46.1 million (approximately RMB38.9 million) would be used to build new workshops. We have entered into the letter of intent dated 22 September 2020 with the government of Changjiang town in Rugao City in respect of the acquisition of the land parcel adjacent to our Nantong production base. We expected to purchase the land in or around the first quarter of 2022, commence the construction work of new workshops in or around the third quarter of 2022 and commence production in or around the fourth quarter of 2023; and

Set out below is a breakdown of the estimated total costs for building the new production workshops at the parcel of land to be acquired adjacent to our Nantong production base to enhance our production capacity:

	Land Parcel/ Production work shop description	Estimated acquisition/ construction costs *(RMB million)*	Estimated machinery and equipment costs *(RMB million)*[Note 3]
1.	Land parcel	90.0 [Note 1]	–
2.	Workshop No.1	31.85 [Note 1]	20.0 [Note 4]
3.	Workshop No.2	31.85 [Note 2]	20.0 [Note 4]
	Total	153.7	40.0

Note 1: We plan to finance the costs with the net proceeds from the Global Offering.

Note 2: We plan to finance the costs of approximately RMB7.05 million with the net proceeds from the Global Offering, and the rest of approximately RMB24.8 million with our internal resources and bank borrowings.

Note 3: Most of the key machinery and equipment could be used interchangeably for modular pressure equipment for the application in various industries.

Note 4: We plan to finance the costs with our internal resources and bank borrowings.

- approximately 9.8% or HK$71.2 million (approximately RMB60.0 million) will be used for purchasing core production machinery and equipment for Heavy-duty Workshop No.1 to enhance our production capabilities of manufacturing pressure equipment.

Set out below are particulars of the additional machinery and equipment we intend to purchase with the net proceeds from the Global Offering:

Type of devices	Number of devices and equipment	Estimated total cost *(RMB million)*
Vertical lathe (12.5 - meters)	1	15.0
Flat high-speed drill (10 meters)	1	14.0
Horizontal high-speed drilling machine (12 x 6.5 meters)	1	11.0
Deep hole drill (5 x 3 meters)	1	5.5
Welding rotary table (250 tonnes)	2	3.0
Turning rolls (1,000 tonnes)	2	3.0
Ultra-high pressure waterjet cutting machine (Double Intensifier Pump) (3,000 x 8,000 x 400)	1	3.5
Large format laser cutting machine	1	5.0
Total	10	60.0

Sufficient Demand for Planned Production Capacity

Upon completion of enhancing our production capacity and capability by using the net proceeds from the Global Offering as mentioned above, our production capacity would be increased by approximately 10,080 tonnes per year after the four new workshops at our Nantong production base commence production in or around the fourth quarter of 2022 and further by approximately 2,600 tonnes per year after the two new workshops to be built at the new production base adjacent to our Nantong production base commence production in or around the fourth quarter of 2023. As a result, our production capacity is expected to reach approximately 58,000 tonnes per year by end of 2023. Our Directors are of the view we will have sufficient demand for such production capacity based on a number of considerations, including our utilisation rate of the existing production facilities for the Track Record Period, market demands for our products, our relocation plan of Morimatsu Pharmaceutical Equipment Zhuqiao Branch, and our historical results of operations and growth potential, details of which are set out below:

(i) Close-to Full Utilisation of Production Capacity

The current utilisation of our production facilities reaches a high level. Our utilisation rate for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 was approximately 99.9%, 95.0%, 97.1% and 76.7%, respectively. The decrease in our utilisation rate for nine months ended 30 September 2020 was primarily attributable to (i) the increase in our production capacity due to the commencement of the pilot scale production in our new workshops at our Nantong production base; coupled

with (ii) the impact of COVID-19, which led to postponement of resumption of production and the suspension and termination of several projects. Nevertheless, our Directors consider when the economy recovers from COVID-19, a close-to full utilisation of production capacity would limit our flexibility to take on potential increase of orders in the long run, and enhancing our production capacity could ultimately provide a sustainable solution to our long-term future growth.

(ii) Market Demand

We believe there will be sufficient market demand to support our expansion plan. According to F&S Report, with (i) the support of a series of favourable policies, (ii) the increasing demand from downstream applications, and (iii) further recognition of the quality of pressure equipment manufacturers and providers of integrated pressure equipment solutions in the PRC, the sales revenue of pressure equipment in the PRC is expected to enjoy a steady growth with a CAGR of approximately 10.9% from 2019 to 2024. In particular, modular pressure equipment, with the characteristics of time-saving construction, has experienced a dramatic increase in recent years with CAGR of 20.6%, and is expected to be one of the future development directions and is widely applied in oil and gas industry, pharmaceutical industry, chemical industry and personal care chemical industry. Meanwhile, the sales revenue of traditional pressure equipment manufacturers in China is anticipated to experience a stable increase with a CAGR of approximately 4.2% from 2019 to 2024. Additionally, with the promotion of the "Belt and Road Initiative" and the continuous technological improvement, the pressure equipment manufactured in China is expected to have wider applications in foreign countries, with a CAGR of approximately 18.3% from 2019 to 2024.

In addition, according to F&S Report, the sales of global sizable personal care chemical enterprises usually cover many countries and the products of those manufacturers update quickly. Global leading enterprises in personal care chemical industry, such as P&G, Unilever and Colgate, have promoted the standardised production to guarantee the consistent quality of their products around the world. Due to the characteristics of fast delivery, cost saving, and controllable measurement, modularisation in manufacturing equipment has become an important means of standardisation reform in the multinational enterprises of personal care chemical industry. With the assistance of modular design of production equipment, it can meet the requirements for standardisation and unification of global production process in personal care chemical enterprises. Going forward, with the continuous increase of per capita disposable income and the expansion of urban population in China, the personal care chemical industry in China is projected to have a continuous development and the sales revenue of personal care chemical industry in China is likely to reach RMB1,384.4 billion in 2024, growing at a CAGR of approximately 9.8% from 2019 to 2024. In addition to the industry growth and demand, our customers will take into consideration other factors such as their business development strategies, capital resources and financial condition, return of the investment in new production lines, and the condition of its

existing production lines when deciding whether to set up or upgrade a production line. Given (i) it is a major investment decision of a customer to invest in setting up a new production line or upgrading an existing production line; (ii) the relatively long life cycle of the production lines; and (iii) our sales to customers are on a project basis, our revenue derived from a downstream industry may not necessarily be in line with the growing trend of the relevant downstream industry. For instance, while our revenue derived from personal care chemical industry increased in 2018, our sales revenue derived from personal care chemical decreased in 2019 and further decreased for the nine months ended 30 September 2020 compared to the nine months ended 30 September 2019, which was not totally in line with the growing trend of the personal care chemical industry during the same period. Thus, our historical sales trend cannot indicate the demands of our pressure equipment in personal care chemical industry in the future. For details on the fluctuations of our revenue derived from personal care chemical industry, please refer to the section headed "Financial Information — Description of Principal Items in the Combined Statements Profits or Loss and Other Comprehensive Income — Revenue — Downstream Industries" in this prospectus.

According to F&S Report, there are increasing demand in other downstream application industries, such as pharmaceutical and chemical. With the implementation of the new version of the Good Manufacturing Practices for pharmaceuticals and the technological transformation of pharmaceutical manufacturers, the demand for pharmaceutical equipment is expected to maintain rapid growth in the next years. Together with the increasing demands for biologics, the sales revenue of pharmaceutical industry in China is expected to reach RMB1,833.1 billion in 2024, with a CAGR of approximately 16.4% from 2019 to 2024. In the future, with the application of new technologies and the development of petroleum and chemical industry to the direction of deep processing, the chemical industry in China is likely to maintain a stable growth, with a CAGR of approximately 4.1% from 2019 to 2024.

Based on the above, considering (i) our leading position as a pressure equipment manufacturer and provider of integrated pressure equipment solutions in the PRC; (ii) the rising demand of pressure equipment in personal care chemical and pharmaceutical industries; (iii) our relationship with leading enterprises in the personal care chemical and pharmaceutical industries, such as Unilever and Colgate; (iv) a total of around 85 projects we have prepared to tender or have tendered with a total contract sum of approximately RMB3,491.7 million since 30 September 2020 and up to the Latest Practicable Date; and (v) our strategy to diversify the downstream industries that we are capable to serve, which enables us to better withstand the periodic business and economic cycles of different industries, we are of the view, and the Sole Sponsor after performing relevant due diligence concurs, that there will be sufficient market demand to support our expansion plan and we believe we are well-positioned to capture the growth in the industry to further expand our business.

(iii) Our Relocation Plan of Morimatsu Pharmaceutical Equipment Zhuqiao Branch

We have entered into the letter of intent dated 22 September 2020 with the government of Changjiang town in Rugao City in respect of acquisition of the land parcel ("**New Production Base**") adjacent to our Nantong production base, which we intend to build new workshops for expanding our production capacity in two aspects. Firstly, we consider it could serve as an additional production base in the event we need to take on a sudden increase of orders and expand our production capacity in the short run in response to any increase in demand of modular pressure equipment in pharmaceutical industry, as there was an increasing trend of demand for our pressure equipment in pharmaceutical industry during the Track Record Period. Our revenue derived from pharmaceutical industry increased by 69.7% from 2017 to 2018, and further increased by 89.1% from 2018 to 2019, and remained relatively stable for the nine months ended 30 September 2019 and 2020 despite the impact of COVID-19. Secondly, after consultation with relevant organisation, we were informed that Morimatsu Pharmaceutical Equipment Zhuqiao Branch was located in Zhuqiao Airport Industrial Zone where approval for the implementation of new projects, reconstruction and expansion of existing projects, and follow-up approvals (including environmental protection, fire safety, etc.) of existing projects cannot actually be processed by the competent authority according to the local policies. As such, we intend to gradually transfer the manufacturing business of Morimatsu Pharmaceutical Equipment Zhuqiao Branch to its Nantong branch in phases, and intend to use the New Production Base to take over the manufacturing activities of Morimatsu Pharmaceutical Equipment Zhuqiao Branch at our Shanghai production base, particularly, the manufacturing of modular pressure equipment mainly in pharmaceutical and personal care chemical industry. The first phase of the relocation is expected to commence in the third quarter of 2023, and we estimate the relocation would be completed in the second quarter of 2025.

(iv) Cater for our Business Strategies

We plan to advance our internationalisation strategy by establishing our hub in Central and Southern Europe, through our subsidiary in Italy, to offer sales, technical and project execution supports and serve customers in such regions more efficiently, and to recruit local designers and engineers, thereby enabling us to accelerate our expansion into the Central and South-European markets. The expansion of production capacity will enable us to capture the expected growth of demands of pressure equipment from Central and South-European markets. In addition, we also intend to consolidate our leading position in certain selected downstream application industries, and tap into new industry needs. Therefore, we need more production capacity to achieve these objectives. Meanwhile, we need to ensure our sustainability and maintain our competitiveness by purchasing advanced equipment to enhance our production capabilities of manufacturing pressure equipment to optimise our production process.

2. approximately 9.0% or HK$65.3 million (approximately RMB55.0 million) will be used for enhancing our service capability, thereby strengthening our value-added services associated with the pressure equipment, especially digital operation services, among which:

    - approximately 2.0% or HK$14.2 million (approximately RMB12.0 million) will be used for upgrading and developing software and hardware for product design and operation data analysis and calculation to optimise product quality, production process and management efficiency;

    - approximately 3.3% or HK$23.7 million (approximately RMB20.0 million) will be used for upgrading part of our factories to digital factories to achieve the integration and automation of different kinds of machinery, equipment, and operation system;

    - approximately 2.4% or HK$17.8 million (approximately RMB15.0 million) will be used for researching and developing digital engineering platform and digital twin platform, both of which use software analytics to provide engineering design, collaborative project management, remote support, manufacturing simulation, manufacturing process simulation, artificial intelligence and other ecosystems in 3D environments for our customers;

    - approximately 0.8% or HK$5.9 million (approximately RMB5.0 million) will be used for researching and developing our own software to enhance our digital operation services such as equipment operation and maintenance, data collection, spare parts management, manufacturing process analysis and consultation; and

    - approximately 0.5% or HK$3.6 million (approximately RMB3.0 million) will be used for purchasing new infrastructure used for validation services and engineering services, including thermal validation system, cold storage, greenhouse, and cabinet temperature measurement, steamed gas and compressed air measurement, and cleanroom testing.

3. approximately 8.1% or HK$59.3 million (approximately RMB50.0 million) will be used for advancing our internationalisation strategy, among which:

    - approximately 3.2% or HK$23.7 million (approximately RMB20.0 million) will be used for the establishment of our hub in Central and Southern Europe, through our subsidiary in Italy, to offer sales, technical and project execution supports and serve customers in such regions more efficiently. In particular, we intend to recruit approximately 15 employees to localise our product design and sales and marketing strategies, improve our brand reputation, offer timely and effective customer services, enlarge our sales network, and enhance our service capacity in Central and Southern Europe. We also intend to take

advantage of the advanced and developed technique for manufacturing pressure equipment in pharmaceutical industry in Italy or nearby regions to form a technical platform and recruit or cooperate with design and engineering talents based in or nearby Italy, in order to maintain our competitiveness by offering advanced manufacturing techniques. In addition, we plan to strategically cooperate with or acquire local companies with advanced technology.

- approximately 1.6% or HK$11.9 million (approximately RMB10.0 million) will be used for establishment of a company in Malaysia jointly with a local company. Leveraging the competitive labour cost and geographical advantage of Malaysia, our Directors believe that we will be able to mitigate the risk arising from increased tension between the PRC and the United States while maintaining our price competitiveness.

- approximately 3.3% or HK$23.7 million (approximately RMB20.0 million) will be used for establishment of an engineering centre in Japan. In particular, we will recruit 20 employees to form a local technical team, and five employees to form a project execution team for commissioning on customers' sites located in Japan and nearby Asian countries.

4. approximately 3.3% or HK$23.7 million (approximately RMB20.0 million) will be used for investing in research and development to improve our production process capability and production efficiency, and promote sales of our existing and new products. In particular, (i) approximately HK$9.5 million (approximately RMB8.0 million) would be used to recruit or retain the core research and development employees; (ii) approximately HK$11.9 million (approximately RMB10.0 million) would be used for laboratory equipment and laboratory expenses; and (iii) approximately HK$2.3 million (approximately RMB2.0 million) would be used for purchasing research and development materials. The system and technology we intend to research and develop include wet granulation technology, isolator technology, technology related to biological fermentation and reactor manufacturing process, standardisation and marketisation of multi-linked bioreactors, disposable liquid dosing system, disposable bioreactor, disposable perfusion system, and ultrafiltration module technology. The products we intend to research and develop include modular factory containing indoor modules, modular datacenter, modular utilities, and modular hospital.

5. The remaining balance of approximately HK$59.3 million (approximately RMB50.0 million), or 8.1% of the total net proceeds from the Global Offering of the net proceeds will be used for our working capital and general corporate purposes.

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK$174.6 million, respectively.

Assuming that the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK$142.6 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$3.92 per Offer Share; (ii) HK$116.4 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK$3.20 per Offer Share; and (iii) HK$90.2 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$2.48 per Offer Share.

The net proceeds will be used in the same proportions as disclosed above irrespective of: (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the net proceeds from the Global Offering into short-term demand deposits with licensed banks or authorised financial institutions.

HONG KONG UNDERWRITERS

Sinolink Securities (Hong Kong) Company Limited

Mizuho Securities Asia Limited

BOCOM International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 25,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued upon the exercise of the options to be granted under the Post-IPO Share Option Scheme); and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Hong Kong Underwriting Agreement

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing given to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the PRC, Hong Kong, Japan, Sweden, U.S., India and Italy or any other jurisdiction(s) relevant to any member of our Group or the Global Offering (the "**Relevant Jurisdictions**") or any other similar event which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has a material

adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

(ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, any of regulatory or market conditions and matters and/or disasters in the Relevant Jurisdictions or any other similar event which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

(iii) without prejudice to paragraph (i) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation or adverse mutation of diseases (including, without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS)), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such; or

(v) any change or development occurs involving a prospective change in taxation or in exchange control in any of the Relevant Jurisdictions to which any member of our Group is subject or the implementation of any exchange controls which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such in a material way; or

(vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in any of the Relevant Jurisdictions which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such; or

(viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or executive Directors which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) makes it inadvisable or impracticable to proceed with the Global Offering; or

(ix) order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(x) and any such event, which, individually, or in the aggregate, in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) any matter or event showing (i) any of the representations and warranties contained in this Agreement to be, in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), untrue or inaccurate in any material respect or, if repeated

immediately after the occurrence thereof, would be untrue or inaccurate in any material respect or (ii) any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the Covenantors not to have been complied with in any respect considered in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to be material; or

(c) there comes to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) any breach on the part of our Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to be material; or

(d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, the submissions, documents or information provided to the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal adviser to the Joint Global Coordinators and the Hong Kong Underwriters and any other parties involved in the Global Offering which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, was to be issued at that time, constitute, in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) a material omission of such information; or

(f) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) is material; or

(g) the approval of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued under the Global Offering and the Shares to be issued pursuant to the Bonus Issue is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn his/its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to his/its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or

(i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there comes to the notice of the Joint Global Coordinators or any of the Underwriters any information, matter or event which in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

    (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Global Offering; or

    (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Global Offering (including the Over-allotment Option), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Global Offering (including the Over-allotment Option), they will not at any time:

(a) during the period commencing on the date by reference to which disclosure of his/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or

(b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if,

immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), that, except for the issue of Shares by our Company pursuant to the Global Offering (including upon the exercise of the Over-allotment Option) and pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement and ending on the expiry date of the six months after the Listing Date (the "**First Six-Month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company, as applicable; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or

(iii) enter into any transaction with the same economic effect as any forgoing transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any forgoing transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Our Company has further agreed that we will not, and will procure each other member of our Group not to, enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the six-month period immediately following the First Six-Month Period (the "**Second Six-Month Period**"), and in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the Second Six-Month Period, we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that except pursuant to the Global Offering (including the exercise of the Over-allotment Option), without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld), and unless in compliance with the requirements of the Listing Rules:

(i) he/it will not, and will procure that his/its close associates will not, during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company

or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include our Controlling Shareholders engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any securities that includes, relates to or derives any significant part of its value from such Shares); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i)(a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him/it and/or any of his/its close associate which owns such Shares or interests as aforesaid; and

(iii) during the First Six-Month Period and the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraphs (i)(a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Commissions and expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price in respect of the Hong Kong Offer Shares. We expect to pay an underwriting commission of 3% of the aggregate Offer Price in respect of all the International Placing Shares. No incentive fee shall be payable to the Underwriters by our Company.

In consideration of the Sole Sponsor's services in sponsoring the Global Offering, the Sole Sponsor will receive a sponsorship fee. Such underwriting commission and sponsorship fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK$71.5 million in aggregate (assuming an Offer Price of HK$3.20 per Offer Share (being the mid-point of the indicative Offer Price of HK$2.48 to HK$3.92 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

The International Placing

The International Underwriting Agreement

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company will offer our International Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the International Underwriting Agreement and the placing documents. It is expected that the International Underwriters will agree to severally underwrite for our International Placing Shares. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement in the paragraph headed "Undertakings pursuant to the Hong Kong Underwriting Agreement" under this section.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Joint Global Coordinators, on behalf of the International Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the International Placing, solely to cover over-allocations, if any, under the International Placing. For further details of the Over-allotment Option, please refer to the section headed "Structure of the Global Offering" in this prospectus.

JOINT GLOBAL COORDINATORS' AND UNDERWRITERS' INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Joint Global Coordinators and the Hong Kong Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases. All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. A total of initially 250,000,000 Offer Shares will be made available under the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering which will be offered to the public in Hong Kong of 25,000,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the Offer Shares; and

- the International Placing which will be conditionally placed with selected professional, institutional and other investors of 225,000,000 International Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares.

Investors may apply for the Hong Kong Offers Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, in the International Placing Shares under the International Placing, but may not do both.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon, among others:

1. Listing

The Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

2. Underwriting Agreements

(i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and

(ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date;

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If any of the above conditions is not fulfiled or waived on or before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.morimatsu-online.com** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Friday, 12 March 2021 but will only become valid certificates of title at 8:00 a.m. on Monday, 15 March 2021 provided that (i) the Global Offering has became unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company's issued share capital immediately after completion of the Global Offering and the Bonus Issue without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided into two pools for allocation purposes: pool A and pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 12,500,000 and 12,500,000 respectively. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares shall be subject to reallocation on the following basis:

(a) where the International Placing Shares are fully subscribed or oversubscribed:

    (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such

proportions as the Joint Global Coordinators deem appropriate to satisfy demand under the International Placing;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 25,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 75,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 100,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 25,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Share available under the Hong Kong Public Offering will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 50,000,000 Offer Shares).

In the event of a reallocation of the Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

In the event of a reallocation of the Offer Shares between the Hong Kong Public Offering and the International Placing in the circumstances under paragraphs (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$2.48 per Offer Share) stated in this prospectus.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.92 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph "Price Determination of the Global Offering" below in this section, is less than the maximum price of HK$3.92 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 225,000,000 Shares (subject to reallocation and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme.

The International Placing is subject to the same conditions as stated in the paragraph "Conditions of the Hong Kong Public Offering" above in this section.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) that is exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of option granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 5 March 2021, and in any event not later than Tuesday, 9 March 2021, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$3.92 per Share and is expected to be not less than HK$2.48 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at

www.hkexnews.hk and our website at **www.morimatsu-online.com** notices of the reduction in the indicative Offer Price range and/or number of Offer Shares. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or the number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Friday, 12 March 2021 in the manner set out in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

The Stabilising Manager has been appointed by us as the stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price

Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, as stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging application under the Hong Kong Pubic Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Stabilising Manager, as stabilising manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(2) in connection with any action described in paragraph (1) above:

    (a) (i) over-allocate our Shares; or

        (ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

    (b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under subparagraph (a) above;

    (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and

    (d) offer or attempt to do anything described in subparagraphs (a)(ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Stabilising Manager (for itself and on behalf of the Underwriters), its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;

- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Sunday, 4 April 2021, being the 30th day after the last date for lodging applications under the Hong Kong Pubic Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 37,500,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, from Morimatsu Industry to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option. If such stock borrowing arrangement with Morimatsu Industry is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with.

The same number of Shares so borrowed must be returned to Morimatsu Industry or its nominees, as the case may be, within three business days following the earlier of: (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full; or (iii) such earlier time as may be agreed in writing between Morimatsu Industry and the Stabilising Manager.

The stock borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Morimatsu Industry by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

COMMENCEMENT OF DEALINGS

Assuming the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 15 March 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 15 March 2021.

The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Company is 2155.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp)** or at **www.hkeipo.hk**; or
- electronically cause **HKSCC** Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/ or any its subsidiaries;
- a director or chief executive officer of our Company and/ or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 26 February 2021 until 12:00 noon on Friday, 5 March 2021 from:

(i) the following address of the Hong Kong Underwriters:

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

Mizuho Securities Asia Limited
14-15/F, K11 Atelier
18 Salisbury Road
Tsim Sha Tsui
Kowloon
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

(ii) any of the designated branches or outlets of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza, No. 33 Wai Yip Street, Kowloon Bay, Kowloon
	Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon
New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin, New Territories

Bank of Communications Co., Ltd. Hong Kong Branch

	Outlet Name	**Address**
Hong Kong Island	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
New Territories	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building, 2-14 Tai Fung Street, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 26 February 2021 until 12:00 noon on Friday, 5 March 2021 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — MORIMATSU INTERNATIONAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches or outlets of the receiving banks listed above, at the following times:

- Friday, 26 February 2021 – 9:00 a.m. to 4:00 p.m.
- Saturday, 27 February 2021 – 9:00 a.m. to 12:00 noon
- Monday, 1 March 2021 – 9:00 a.m. to 4:00 p.m.
- Tuesday, 2 March 2021 – 9:00 a.m. to 4:00 p.m.
- Wednesday, 3 March 2021 – 9:00 a.m. to 4:00 p.m.
- Thursday, 4 March 2021 – 9:00 a.m. to 4:00 p.m.
- Friday, 5 March 2021 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 March 2021, the last application day or such later time as described in "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/ or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association.;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Ordinance) and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/ or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will

breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/ or its agents to send any Share certificate(s) and/ or any e-Auto Refund payment instructions and/ or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/ or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or

for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names in the **IPO App** or on the designated website at **www.hkeipo.hk**.

Detailed Instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or **www.hkeipo.hk**. (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 26 February 2021 until 11:30 a.m. on Friday, 5 March 2021 from and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 March 2021 or such later time under the paragraph headed "— 10. Effects of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com/**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/ or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/ or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/ or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 26 February 2021 – 9:00 a.m. to 8:30 p.m.
- Monday, 1 March 2021 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 2 March 2021 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 3 March 2021 – 8:00 a.m. to 8:30 p.m.
- Thursday, 4 March 2021 – 8:00 a.m. to 8:30 p.m.
- Friday, 5 March 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 26 February 2021 until 12:00 noon on Friday, 5 March 2021 (24 hours daily, except on Friday, 5 March 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 March 2021, the last application day or such later time as described in "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 March 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Price Determination of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 March 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 March 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 12 March 2021 on the Company's website at **www.morimatsu-online.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.morimatsu-online.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 12 March 2021;

- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 12 March 2021 to 12:00 midnight on Thursday, 18 March 2021;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 12 March 2021 to Wednesday, 17 March 2021 (excluding Saturday and Sunday or public holiday in Hong Kong);

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 12 March 2021 to Monday, 15 March 2021 at all the receiving banks' designated branches or outlets.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/ or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.92 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfiled in accordance with the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 12 March 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the

Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Friday, 12 March 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 15 March 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 March 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/ or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 12 March 2021 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting the refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 12 March 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 12 March 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 March 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 12 March 2021 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/ refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 12 March 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 12 March 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" in this section on Friday, 12 March 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 March 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 12 March 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 12 March 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on page I-1 to I-95, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MORIMATSU INTERNATIONAL HOLDINGS COMPANY LIMITED AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Morimatsu International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-95, which comprises the combined statements of financial position of the Group as at 31 December 2017, 2018, 2019 and 30 September 2020, and the statements of financial position of the Company as at 31 December 2019 and 30 September 2020, and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-95 forms an integral part of this report, which has been prepared for inclusion in the circular of Morimatsu International Holdings Company Limited (the "Company") dated 26 February 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2019 and 30 September 2020 and the Group's financial position as at 31 December 2017, 2018, 2019 and 30 September 2020, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises the combined statement of profit or loss, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the nine months ended 30 September 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 29(e) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 February 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

1 COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Nine months ended 30 September	
		2017	**2018**	**2019**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Continuing operations						
Revenue	*4*	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957
Cost of sales		(1,286,665)	(1,955,935)	(2,223,441)	(1,623,108)	(1,433,464)
Gross profit		283,432	511,934	602,889	477,281	580,493
Other income/(loss)	*6*	19,434	13,237	7,067	(11,404)	(4,675)
Selling and marketing expenses		(35,784)	(77,424)	(88,074)	(59,718)	(47,878)
General and administrative expenses		(151,258)	(143,562)	(223,322)	(157,208)	(186,599)
Research and development expenses		(87,246)	(120,683)	(126,146)	(90,909)	(74,867)
Profit from operations		28,578	183,502	172,414	158,042	266,474
Finance costs	*7(a)*	(8,641)	(5,506)	(6,381)	(5,014)	(7,842)
Shares of results of associate		9,414	(119)	–	–	–
Profit before taxation	*7*	29,351	177,877	166,033	153,028	258,632
Income tax	*8(a)*	(14,577)	(31,423)	(25,087)	(23,926)	(37,434)
Profit from continuing operations		14,774	146,454	140,946	129,102	221,198

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Discontinued operations						
(Loss)/profit from discontinued operation (net of income tax)	*5(a)*	(23,094)	(20,667)	5,673	5,673	–
(Loss)/profit for the year/period		(8,320)	125,787	146,619	134,775	221,198
Attributable to:						
Equity shareholders of the Company		7,100	116,223	149,104	137,260	221,198
Non-controlling interests	*30*	(15,420)	9,564	(2,485)	(2,485)	–
(Loss)/profit for the year/period		(8,320)	125,787	146,619	134,775	221,198
Basic and diluted earnings per share (RMB)	*11*					
– Continuing operations		N/A	N/A	N/A	N/A	N/A
– Discontinued operations		N/A	N/A	N/A	N/A	N/A

1 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2017	**2018**	**2019**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit for the year/period		(8,320)	125,787	146,619	134,775	221,198
Other comprehensive income for the year/period						
Items that will not be reclassified to profit or loss:						
Exchange differences on translation of financial statements of the Company		–	–	(44)	(34)	764
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of subsidiaries outside mainland China		(128)	(259)	(91)	(376)	336
Other comprehensive income for the year/period		(128)	(259)	(135)	(410)	1,100
Total comprehensive income for the year/period		(8,448)	125,528	146,484	134,365	222,298
Attributable to:						
Equity shareholders of the Company		6,972	115,964	148,969	136,850	222,298
Non-controlling interests	*30*	(15,420)	9,564	(2,485)	(2,485)	–
Total comprehensive income for the year/period		(8,448)	125,528	146,484	134,365	222,298

2 COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31December			As at 30 September
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*12*	1,012,207	1,039,050	810,405	819,240
Right-of-use assets	*13*	167,465	163,300	112,309	108,903
Intangible assets	*14*	19,596	21,299	15,874	29,462
Long-term receivables	*15*	52,410	26,508	–	–
Interest in associate	*16*	30,313	–	–	–
Financial assets measured at fair value through profit or loss ("FVPL")	*31(e)*	8,020	7,408	–	–
Deferred tax assets	*25(b)*	24,855	11,142	3,837	1,152
Other non-current assets		7,202	18,390	6,840	3,637
		1,322,068	1,287,097	949,265	962,394
Current assets					
Inventories	*17*	397,922	822,745	1,132,485	915,683
Contract assets	*18(a)*	99,907	85,841	150,183	209,881
Trade and other receivables	*19*	531,731	949,008	585,033	529,206
Financial assets measured at FVPL	*31(e)*	70,820	–	5,757	–
Cash and cash equivalents	*20*	354,948	522,031	451,398	451,849
		1,455,328	2,379,625	2,324,856	2,106,619
Current liabilities					
Trade and other payables	*22*	451,194	840,970	803,990	677,653
Contract liabilities	*18(b)*	621,714	1,162,841	1,264,079	1,025,293
Interest-bearing borrowings	*23*	233,649	142,104	454,229	434,385
Financial liabilities measured at FVPL	*31(e)*	–	1,342	–	–
Lease liabilities	*24*	1,143	1,238	1,854	1,111
Current taxation	*25(a)*	11,708	13,451	13,008	4,498
		1,319,408	2,161,946	2,537,160	2,142,940
Net current assets/(liabilities)		135,920	217,679	(212,304)	(36,321)
Total assets less current liabilities		1,457,988	1,504,776	736,961	926,073

	Note	As at 31December 2017 RMB'000	2018 RMB'000	2019 RMB'000	As at 30 September 2020 RMB'000
Non-current liabilities					
Interest-bearing borrowings	*23*	–	376,594	13,952	–
Lease liabilities	*24*	3,831	3,820	2,505	1,886
Provisions	*26*	11,085	10,729	13,293	12,812
Deferred income	*27*	5,450	3,329	448	410
		20,366	394,472	30,198	15,108
Net assets		1,437,622	1,110,304	706,763	910,965
Capital and reserves	*29*				
Combined capital		654,719	654,719	389,234	387,709
Reserves		751,559	414,695	317,529	523,256
Total equity attributable to equity shareholders of the Company		1,406,278	1,069,414	706,763	910,965
Non-controlling interests	*30*	31,344	40,890	–	–
Total equity		1,437,622	1,110,304	706,763	910,965

3 STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2019 RMB'000	As at 30 September 2020 RMB'000
Non-current asset			
Investment in a subsidiary		2,439	17,769
Current assets			
Trade and other receivables	*19*	90	391,121
Cash and cash equivalents		–	5,616
Current liabilities			
Trade and other payables		6,965	5,896
Interest-bearing borrowings	*23*	–	434,385
Net current (liabilities)/assets		(6,875)	(43,544)
Total assets less current (liabilities)/assets		(4,436)	(25,775)
Non-current liability			
Interest-bearing borrowings	*23*	–	–
Net liabilities		(4,436)	(25,775)
Capital and reserves			
Share capital	*29(a)*	88	88
Reserves	*29(a)*	(4,524)	(25,863)
Total deficit		(4,436)	(25,775)

4 COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Combined capital *RMB'000* *Note 29(b)*	Merger reserve *RMB'000* *Note 29(f)*	PRC Statutory reserve *RMB'000* *Note 29(d)*	Exchange reserve *RMB'000* *Note 29(c)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000* *Note 30*	Total equity *RMB'000*
Balance 1 January 2017	654,719	419,058	11,559	12	336,757	1,422,105	46,058	1,468,163
Profit/(loss) for the year	–	–	–	–	7,100	7,100	(15,420)	(8,320)
Other comprehensive income for the year	–	–	–	(128)	–	(128)	–	(128)
Total comprehensive income for the year	–	–	–	(128)	7,100	6,972	(15,420)	(8,448)
Appropriation to PRC statutory reserve	–	–	14,497	–	(14,497)	–	–	–
Capital injection to a non-wholly owned subsidiary	–	–	–	–	(706)	(706)	706	–
Dividends paid *(Note 29(e))*	–	–	–	–	(22,093)	(22,093)	–	(22,093)
Balance at 31 December 2017	654,719	419,058	26,056	(116)	306,561	1,406,278	31,344	1,437,622
Balance at 31 December 2017 and 1 January 2018	654,719	419,058	26,056	(116)	306,561	1,406,278	31,344	1,437,622
Profit for the year	–	–	–	–	116,223	116,223	9,564	125,787
Other comprehensive income for the year	–	–	–	(259)	–	(259)	–	(259)
Total comprehensive income for the year	–	–	–	(259)	116,223	115,964	9,564	125,528
Appropriation to PRC statutory reserve	–	–	3,565	–	(3,565)	–	–	–
Liquidation of a subsidiary	–	–	–	–	18	18	(18)	–
Deemed distribution to controlling shareholder *(Note 29(f)(i))*	–	(351,888)	–	–	38,514	(313,374)	–	(313,374)
Dividends paid *(Note 29(e))*	–	–	–	–	(139,472)	(139,472)	–	(139,472)
Balance at 31 December 2018	654,719	67,170	29,621	(375)	318,279	1,069,414	40,890	1,110,304

	Attributable to equity shareholders of the Company							
	Combined capital	Merger reserve	PRC Statutory reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 29(b)	*Note 29(f)*	*Note 29(d)*	*Note 29(c)*			*Note 30*	
Balance at 31 December 2018 and 1 January 2019	654,719	67,170	29,621	(375)	318,279	1,069,414	40,890	1,110,304
Profit for the year	–	–	–	–	149,104	149,104	(2,485)	146,619
Other comprehensive income for the year	–	–	–	(135)	–	(135)	–	(135)
Total comprehensive income for the year	–	–	–	(135)	149,104	148,969	(2,485)	146,484
Issue of shares *(Note 29(b)(i))*	88	–	–	–	–	88	–	88
Deemed distribution to controlling shareholder *(Note 29(b)(ii))*	(2,563)	–	–	–	114	(2,449)	–	(2,449)
Acquisition of non-controlling interests *(Note 29(h))*	–	–	–	–	6,233	6,233	(26,343)	(20,110)
Demerger as part of the Reorganisation *(Note 5) (Note 29(f)(ii))*	(263,010)	(67,170)	(11,974)	–	(170,938)	(513,092)	(12,062)	(525,154)
Dividends paid *(Note 29(e))*	–	–	–	–	(2,400)	(2,400)	–	(2,400)
Balance at 31 December 2019	389,234	–	17,647	(510)	300,392	706,763	–	706,763

	Attributable to equity shareholders of the Company								
	Combined capital	Merger reserve	Capital reserve	PRC Statutory reserve	Exchange reserve	Retained earnings	Total equity	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 29(b)	*Note 29(f)*	*Note 29(g)*	*Note 29(d)*	*Note 29(c)*			*Note 30*	
Balance at 31 December 2019 and 1 January 2020	389,234	–	–	17,647	(510)	300,392	706,763	–	706,763
Profit for the nine months ended 30 September 2020	–	–	–	–	–	221,198	221,198	–	221,198
Other comprehensive income for the nine months ended 30 September 2020	–	–	–	–	1,100	–	1,100	–	1,100
Total comprehensive income for the nine months ended 30 September 2020	–	–	–	–	1,100	221,198	222,298	–	222,298
Appropriation to PRC statutory reserve	–	–	–	9,888	–	(9,888)	–	–	–
Deemed distribution to controlling shareholder *(Note 29(b)(ii))*	(1,525)	–	–	–	–	(15,601)	(17,126)	–	(17,126)
Dividend declared *(Note 29(e))*	–	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Equity settled share-based payment *(Note 28)*	–	–	20,260	–	–	–	20,260	–	20,260
Deemed contribution from controlling shareholder *(Note 29(g))*	–	–	8,770	–	–	–	8,770	–	8,770
Balance at 30 September 2020	387,709	–	29,030	27,535	590	466,101	910,965	–	910,965

(Unaudited)	Attributable to equity shareholders of the Company							
	Combined capital	Merger reserve	PRC Statutory reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 29(b)	*Note 29(f)*	*Note 29(d)*	*Note 29(c)*			*Note 30*	
Balance at 31 December 2018 and 1 January 2019	654,719	67,170	29,621	(375)	318,279	1,069,414	40,890	1,110,304
Profit for the nine months ended 30 September 2019	–	–	–	–	137,260	137,260	(2,485)	134,775
Other comprehensive income for the nine months ended 30 September 2019	–	–	–	(410)	–	(410)	–	(410)
Total comprehensive income for the nine months ended 30 September 2019	–	–	–	(410)	137,260	136,850	(2,485)	134,365
Issue of shares *(Note 29(b)(i))*	88	–	–	–	–	88	–	88
Acquisition of non-controlling interests *(Note 29(h))*	–	–	–	–	6,233	6,233	(26,343)	(20,110)
Demerger as part of the Reorganisation *(Note5) (Note 29(f)(ii))*	(263,010)	(67,170)	(11,974)	–	(170,938)	(513,092)	(12,062)	(525,154)
Dividends paid *(Note 29(e))*	–	–	–	–	(2,400)	(2,400)	–	(2,400)
Balance at 30 September 2019	391,797	–	17,647	(785)	288,434	697,093	–	697,093

5 COMBINED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Nine months ended 30 September 2019 RMB'000 (unaudited)	2020 RMB'000
Operating activities:						
Cash generated from operations		371,464	361,369	223,173	205,498	178,824
Income tax paid	*25(a)*	(9,987)	(16,102)	(17,239)	16,174	(47,058)
Net cash generated from operating activities	*20(b)*	361,477	345,267	205,934	221,672	131,766
Investing activities:						
Payment for the purchase of property, plant and equipment		(22,551)	(142,913)	(139,218)	(89,589)	(83,692)
Proceeds from sale of property, plant and equipment		144	810	19,916	6,385	553
Loans to associate		(33,000)	–	–	–	–
Loans repaid by associate		–	33,000	–	–	–
Acquisition of interest in an associate		(338)	–	–	–	–
Cash received from withdrawal capital from investment	*16*	–	30,193	–	–	–
Effect on cash due to Demerger	*5(c)*	–	–	(9,839)	(9,839)	–
Cash paid for liquidation of a subsidiary		–	(28)	–	–	–
Deemed distribution to controlling shareholders	*29(f)(i)/ 29(b)(ii)*	–	(313,374)	–	–	(17,126)
Cash received from disposal of a subsidiary		41,921	–	–	–	–
Cash received from disposal of financial assets measured at FVPL		42,553	75,221	–	–	8,203
Cash paid for acquisition of financial assets measured at FVPL		–	–	(79,805)	(80,528)	–
Loans to employees		(13,370)	(18,185)	(15,338)	(15,338)	–
Loans repaid by employees		2,086	11,466	8,418	8,418	–
Interest received		3,369	3,869	4,059	2,743	1,431
Dividends received		466	1,836	–	–	–
Net cash generated from/(used in) investing activities		**21,280**	**(318,105)**	**(211,807)**	**(177,748)**	**(90,631)**

	Note	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Nine months ended 30 September 2019 RMB'000 (unaudited)	2020 RMB'000
Financing activities:						
Capital element of lease rentals paid	*20(c)*	(1,085)	(1,559)	(1,525)	(745)	(1,362)
Proceeds from bank loans	*20(c)*	70,783	42,436	15,000	–	441,393
Repayment of bank loans	*20(c)*	(230,657)	(181,339)	(15,000)	–	(14,500)
Proceeds from borrowings from related parties	*20(c)*	32,490	484,383	56,579	48,579	215,405
Repayment of borrowings from related parties	*20(c)*	(98,163)	(62,075)	(95,611)	(126,124)	(667,831)
Proceeds from issue of shares		–	–	88	88	–
Acquisition of non-controlling interests	*29(h)*	–	–	(20,110)	(20,110)	–
Interest paid	*20(c)*	(7,368)	(6,741)	(6,819)	(5,480)	(7,790)
Interest element of lease rentals paid	*20(c)*	(18)	(104)	(113)	(85)	(52)
Dividend paid		(10,355)	(149,889)	(2,400)	(2,400)	–
Net cash (used in)/ generated from financing activities		**(244,373)**	**125,112**	**(69,911)**	**(106,277)**	**(34,737)**
Effect of foreign exchange rate changes on cash and cash equivalents		(14,477)	14,809	5,151	3,554	(5,947)
Net increase/(decrease) in cash and cash equivalents		123,907	167,083	(70,633)	(58,799)	451
Cash and cash equivalents at 1 January		231,041	354,948	522,031	522,031	451,398
Cash and cash equivalents at 30 September/31 December		354,948	522,031	451,398	463,232	451,849

NOTES TO COMBINED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Morimatsu International Holdings Company Limited (the "Company") was incorporated in Hong Kong on 23 July 2019 as an exempted company with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of Hong Kong.

The Company is principally engaged in investment holding and has not carried on any business since the date of its incorporation save for the reorganisation mentioned below.

Prior to the incorporation of the Company, the Group's principal activities were carried out by the subsidiaries of the Group which were controlled by the Morimatsu Holdings Company Limited (the "Controlling Shareholder"). To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"), as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Upon completion of the Reorganisation on 11 November 2020, the Company became the holding company of the Group.

As the companies now comprising the Group that took part in the Reorganisation were ultimately controlled by the Controlling Shareholder during the Relevant Periods and both before and after the Reorganisation and that control was not transitory and consequently, there was a continuation of the risks and benefits to the Controlling Shareholder. Therefore, the Reorganisation is considered as a business combination of entities under common control.

Accordingly, the Historical Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence. The combined statements of profit or loss, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined cash flows statements of the Group include the financial performance and cash flows of the companies now comprising the Group for the Relevant Periods as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods (or where a company now comprising the Group was incorporated/ acquired at a date later than 1 January 2017, for the period from the date of incorporation/acquisition). The combined statements of financial position of the Group as at 31 December 2017, 2018, 2019 and 30 September 2020 have been prepared to present the state of affairs of the companies now comprising of the Group as at those dates as if the current group structure had been in existence as at the respective dates (or where a company now comprising the Group was incorporated/acquired at a date later than 1 January 2017, as if the combination had occurred from the date when that company first came under the control of the Controlling Shareholder).

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The Historical Financial Information contained in this Prospectus does not constitute the Company's statutory annual consolidated financial statements for any of the financial years ended 31 December 2017, 2018 and 2019.

Further information required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company was incorporated on 23 July 2019 and has not prepared and presented any statutory financial statements since incorporation. Consequently, the Company's auditor has not reported on any statutory financial statements and none have been delivered to the Registrar of Companies.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation /establishment	Registered capital/ issued and fully paid-up capital	Effective interest held by the Company		Principal activities	*Note*
			Direct	Indirect		
Pharmadule Engineering India Private Limited ("Pharmadule India")	India 15 May 2017	INR 49,990,000/ INR 49,990,000	–	100%	Purchase of materials and design of pressure equipment	(a)
Pharmadule Morimatsu AB ("Pharmadule Sweden")	Sweden 3 March 2011	SEK 2,000,000/ SEK 2,000,000	100%	–	Designing and engineering of modular manufacturing facilities for the pharmaceutical, biopharmaceutical and fast-moving consumer goods industries.	(b)
Morimatsu Investment Company Limited ("Morimatsu Investment HK")	Hong Kong 30 June 2013	USD 129,000/ USD 129,000	–	100%	Investment holding	(c)
Morimatsu (China) Investment Co., Ltd. ("Morimatsu China") (森松(中國)投資有限公司)*	The PRC 07 June 2010	USD 59,731,000/ USD 59,731,000	100%	–	Investment holding	(d)
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. ("Morimatsu Heavy Industry") (森松(江蘇)重工有限公司)*	The PRC 13 May 2008	USD 102,600,000/ USD 102,600,000	–	100%	Chemical industry, oil and gas refining, metallurgy, water treatment, new energy and other industries related to traditional pressure equipment (reactor, heat exchanger, vessel, tower) and modular pressure equipment.	(e)
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. ("Morimatsu Pharmaceutical Equipment") (上海森松製藥設備工程有限公司)*	The PRC 29 November 2001	USD 3,500,000/ USD 3,500,000	–	100%	Process equipment and modular process system and facility in pharmaceutical and consumer goods industry.	(e)
Pharmadule Morimatsu Inc ("Pharmadule US")	USA 11 June 2011	USD 5,000/ USD 5,000	–	100%	Sales center, after-sales service center and purchasing center of SMP and Pharmadule Morimatsu AB in the United States.	(f)
Shanghai Morimatsu Co., Ltd. ("Morimatsu Japan")	Japan 31 January 2014	JPY 5,000,000/ JPY 5,000,000	100%	–	Sales activities for the Group's products in Japan.	(f)

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

(a) The statutory auditor for the year ended 31 December 2017, 2018 and 2019 was Bilimoria Mehta & Co. Chartered Accountants.

(b) The statutory auditor for the year ended 31 December 2017, 2018 and 2019 was BDO Malardalen AB.

(c) The statutory auditor for the year ended 31 December 2017, 2018 and 2019 was Alliance & Associates.

(d) The statutory auditor for the year ended 31 December 2017, 2018 and 2019 was Zhonghua Certified public accountants LLP.

(e) The statutory auditor for the year ended 31 December 2017 was Zhonghua Certified public accountants LLP. The statutory auditor for the year ended 31 December 2018 and 2019 was KPMG Huazhen LLP Shanghai Branch.

(f) No statutory financial statements have been prepared for Pharmadule US and Morimatsu Japan for the Relevant Periods.

All companies now comprising the Group have adopted 31 December as their financial year end date.

As at 30 September 2020, the Group had net current liabilities of RMB36,321,000. The directors have reviewed the current performance and cash flow projections as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(1) the Group generated net cash inflows from operating activities of approximately RMB131,766,000 during the nine months ended 30 September 2020 and expects to continue to improve its working capital management and generate positive operating cash flows for the next twelve months;

(2) at 30 September 2020, the Group had total bank facilities of RMB187,000,000, US$65,000,000 and JPY13,400,000,000 (aggregately equivalent to RMB1,493,005,000), used bank facilities of RMB275,364,000, US$14,941,000 and EUR3,309,000 (aggregately equivalent to RMB403,570,000), and had unused available bank facilities of equivalently RMB1,089,435,000.

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, including HKFRS 15, *Revenue from Contracts with Customers* and HKFRS 9, *Financial Instruments*, which are mandatory for the financial year beginning 1 January 2018, and HKFRS 16 *Leases*, which is mandatory for the financial period beginning on 1 January 2019, to the Relevant Periods. The accounting policies set out in Note 2 have been applied consistently throughout the Relevant Periods and the Group has not adopted any new standards or interpretations that are not effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and functional and presentation currency

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

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

– Investments in debt and equity securities (see Note 2(e))

– Financial assets at fair value through profit or loss (see Note 2(f))

(b) Use of estimates and judgments

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is combined into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statement of profit or loss and the combined statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive

income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statement of financial position in accordance with Notes 2 (o) or 2(p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment is classified as held for sale.

(d) Associates and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the combined financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the combined statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

(e) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(iv)).

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

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

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(t)(iii).

(f) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each Relevant Periods the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Property, plant and equipment

The following items of property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

– Right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– Items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(j)(ii)).

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

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

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Design software and Enterprise Resource Planning ("ERP") software	10 years
– Office administrative software	3–5 years
– Patents and trademarks	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Leased assets

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

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(ii)), except for the following types of right-of-use asset:

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with Note 2(g); and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with Note 2(k).

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(t)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

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

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– contract assets as defined in HKFRS 15 (see Note 2(t)); and

– lease receivables

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

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

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

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

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each relevant period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets; and

– investment in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(t)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(j)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(v)).

(q) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each Relevant Period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused

tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each Relevant Period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each Relevant Period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of pressure equipment and related services

The Group recognised revenue when (or as) a performance obligation is satisfied. i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Control is transferred over time and revenue is recognised over time measuring to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Groups performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group designs and manufactures the pressure equipment in accordance with the customer's specification which does not have an alternative use to the Group. Under contracts for which the Group has a right to be paid for work done to date in the event a customer decides to cancel the contract before the contract was fully completed, revenue arising from the contract, and a corresponding contract asset (see note 2(l)), are recognised progressively over time. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see note 2(m)).

The progress towards complete satisfaction of a performance obligation is mainly measured based on cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

For the sale of customized pressurized equipment that the Group does not have the right to be paid for work performed to date, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenue is recognised when the customer takes possession of and accepts the products.

For the sale of raw materials and scrap materials, revenue is recognised at a point in time when the customer obtains control of the products, which is generally when the customer takes possession of and accepts the products.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional (see Note 2(j)). It is assessed for impairment in accordance with HKFRS 9.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)).

(v) Government grants

Government grants are recognised in the combined statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful life of the related asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each Relevant Period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each Relevant Period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal Group(s) constituting the discontinued operation.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(z) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Significant sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy Note 2(t), recognition of revenue and profit recognised over time on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in Note 18 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each Relevant Period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Warranty provisions

As explained in Note 26, the Group makes provisions under the warranties it gives on sale of its pressure equipment taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(iii) Determining the lease term

As explained in policy Note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production and sales of various pressure equipment. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

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

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major products or service lines					
– traditional pressure equipment	544,592	1,059,704	1,647,930	1,244,683	1,110,199
– reactor	70,455	502,319	506,988	428,402	414,723
– heat exchanger	131,079	304,513	671,261	466,721	326,696
– tank	128,376	126,049	341,550	240,327	286,179
– tower	214,682	126,823	128,131	109,233	82,601
– modular pressure equipment	954,647	1,337,045	1,076,133	814,969	848,651
– others*	41,392	39,165	77,328	22,399	15,234
Sales of products	1,540,631	2,435,914	2,801,391	2,082,051	1,974,084
– Pressure equipment design, validation, and maintenance service	29,466	31,955	24,939	18,338	39,873
Service	29,466	31,955	24,939	18,338	39,873
Revenue of continuing operations	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957

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

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(iv).

The Group's customer base is diversified and includes customer with whom transactions have exceeded 10% of the Group's revenues of each of the years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2019 and 2020 respectively. Revenues from those customers during the Relevant Periods are set out below:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Customer A	442,151	425,217	*	*	*
Customer B	*	284,529	*	*	*
Customer C	*	*	335,693	250,902	*
Customer D	*	*	*	*	237,366

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

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2017, 2018, 2019 and 30 September 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB283,416,000, RMB545,511,000, RMB404,326,000 and RMB900,354,000 respectively. This amount represents revenue expected to be recognised in the future from contracts with customers in existence at the reporting date. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts with customers such that the above information does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of pressure equipment that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(b) Segment reporting

The directors of the Company have been identified as the Group's chief operating decision makers. Operating segments are identified on the basis of internal reports that the Group's chief operating decision makers review regularly in allocating resources to segments and in assessing their performances. The Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Comprehensive pressure equipment	Design, manufacture and related services of pressure vessel related equipment, systems and modular devices used in industries such as oil and gas, petrochemicals, chemical, marine engineering, shipping, electronics chemical, water treatment, mining, metallurgical, pharmaceutical, personal care chemical, food processing and IT and communication industries
Specialised pressure equipment for semiconductor, lithium-ion battery and waste sorting industries (demerged on 30 September 2019, see Note 5)	Design, manufacture and related services of pressure vessel related equipment and systems used in semiconductor, lithium-ion battery and waste sorting industries

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include provisions, trade and other payables, lease liabilities, contract liabilities, interest-bearing borrowings and deferred income.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment profit/(loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

(ii) Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 and 2020 is set out below:

	Comprehensive pressure equipment					Specialised pressure equipment for semiconductor, lithium-ion battery and waste sorting industries (discontinued)*					Total				
	Year ended 31 December			Nine months ended 30 September		Year ended 31 December			Nine months ended 30 September		Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020	2017	2018	2019	2019	2020	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Disaggregation by timing of revenue recognition															
Point in time	1,206,340	1,813,357	1,786,935	1,266,914	1,332,607	34,737	30,714	50,334	50,334	–	1,241,077	1,844,071	1,837,269	1,317,248	1,332,607
Over time	363,757	654,512	1,039,395	833,475	681,350	380	891	–	–	–	364,137	655,403	1,039,395	833,475	681,350
Revenue from external customers	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957	35,117	31,605	50,334	50,334	–	1,605,214	2,499,474	2,876,664	2,150,723	2,013,957
Reportable segment revenue	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957	35,117	31,605	50,334	50,334	–	1,605,214	2,499,474	2,876,664	2,150,723	2,013,957
Segment profit/(loss) before tax	29,351	177,877	166,033	153,028	258,632	(24,946)	(23,745)	4,276	4,276	–	4,405	154,132	170,309	157,304	258,632
Other income/(loss)	19,434	13,237	7,067	(11,404)	(4,675)	47,037	42,942	42,972	42,972	–	66,471	56,179	50,039	31,568	(4,675)
Inter-segment elimination	–	–	–	–	–	(19,055)	(23,087)	(35,215)	(35,215)	–	(19,055)	(23,087)	(35,215)	(35,215)	–
Other income/(loss) after inter-segment elimination	19,434	13,237	7,067	(11,404)	(4,675)	27,982	19,855	7,757	7,757	–	47,416	33,092	14,824	(3,647)	(4,675)

	Comprehensive pressure equipment					Specialised pressure equipment for semiconductor, lithium-ion battery and waste sorting industries (discontinued)*					Total				
	Year ended 31 December			Nine months ended 30 September		Year ended 31 December			Nine months ended 30 September		Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020	2017	2018	2019	2019	2020	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance costs	(8,641)	(5,506)	(6,381)	(5,014)	(7,842)	(36)	(48)	(551)	(551)	–	(8,677)	(5,554)	(6,932)	(5,565)	(7,842)
Amortisation of intangible assets	(3,304)	(3,577)	(4,159)	(3,124)	(3,728)	(2,465)	(1,494)	(573)	(573)	–	(5,769)	(5,071)	(4,732)	(3,697)	(3,728)
Depreciation charge															
– owned property, plant and equipment	(55,048)	(55,469)	(57,070)	(43,795)	(48,204)	(22,325)	(21,478)	(15,559)	(15,559)	–	(77,373)	(76,947)	(72,629)	(59,354)	(48,204)
– right-of-use assets	(3,916)	(4,487)	(4,361)	(3,253)	(3,460)	(1,321)	(1,321)	(991)	(991)	–	(5,237)	(5,808)	(5,352)	(4,244)	(3,460)
Reversal/(provision) of Impairment losses															
– trade receivables	6,298	46,465	11,945	6,258	4,323	6,011	(86)	40	40	–	12,309	46,379	11,985	6,298	4,323
– other receivables	(1,144)	(66)	(7)	1,217	70	41	3	–	–	–	(1,103)	(63)	(7)	1,217	70
– contract assets	(39)	11	(170)	(234)	(203)	–	–	–	–	–	(39)	11	(170)	(234)	(203)
Reportable segment assets	1,746,147	2,577,481	3,257,687	N/A	3,064,224	925,541	1,056,628	N/A	N/A	–	2,671,688	3,634,109	3,257,687	N/A	3,064,224
Additions to non-current segment assets during the year/period	17,930	102,552	131,330	N/A	75,224	7,271	12,705	N/A	N/A	–	25,201	115,257	131,330	N/A	75,224
Reportable segment liabilities	1,027,499	2,057,618	2,554,350	N/A	2,153,550	388,479	514,842	N/A	N/A	–	1,415,978	2,572,460	2,554,350	N/A	2,153,550

* See Note 5.

(iii) ***Reconciliations of reportable segment revenues, profit or loss, assets and liabilities***

	As at 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Reportable segment revenue	1,605,214	2,499,474	2,876,664	2,150,723	2,013,957
Elimination of discontinued operations *(Note 5)*	(35,117)	(31,605)	(50,334)	(50,334)	–
Combined revenue of continuing operation	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax					
Total combined profit before tax for reportable segment	4,405	154,132	170,309	157,304	258,632
Elimination of discontinued operations *(Note 5)*	24,946	23,745	(4,726)	(4,276)	–
Combined profit before taxation of continuing operation	29,351	177,877	166,033	153,028	258,632

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	2,671,688	3,634,109	3,257,687	3,064,224
Elimination of inter-segment receivables	(87,912)	(30,835)	–	–
Investment in an associate	30,313	–	–	–
Non-current financial assets	67,632	52,306	6,840	3,637
Financial assets measured at FVPL	70,820	–	5,757	–
Deferred tax assets	24,855	11,142	3,837	1,152
Combined total assets	2,777,396	3,666,722	3,274,121	3,069,013

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Reportable segment liabilities	1,415,978	2,572,460	2,554,350	2,153,550
Elimination of inter-segment payables	(87,912)	(30,835)	–	–
Current taxation	11,708	13,451	13,008	4,498
Financial liabilities measured at FVPL	–	1,342	–	–
Combined total liabilities	1,339,774	2,556,418	2,567,358	2,158,048

(iv) Geographic information

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

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

	Revenues from external customers				
	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Mainland China	538,327	1,541,984	1,787,099	1,275,649	1,063,150
North America	475,778	430,558	411,759	338,962	104,296
Asia (excluding mainland China)	313,685	347,284	297,506	230,783	516,310
Europe	195,582	22,344	241,909	180,061	233,725
Others *(Note)*	46,725	125,699	88,057	74,934	96,476
	1,570,097	2,467,869	2,826,330	2,100,389	2,013,957

Note: Others mainly included Brazil, Chile, Argentina and Peru in South America, Algeria, Nigeria and South Africa in Africa and Australia in Oceania.

5 DISCONTINUED OPERATION

As part of the Reorganisation, the Group disposed of its entire interest in Specialised pressure equipment for semiconductor, lithium-ion battery and waste sorting industries segment (see Note 4(b)) on 30 September 2019, by the demerger of Morimatsu China pursuant to the demerger agreement dated 30 May 2019 (as amended by its supplemental agreement dated 30 September 2019) (the "Demerger"), under which the 80% Group's equity interest in Shanghai Morimatsu Solar Technology Equipment Co., Ltd. ("Morimatsu Solar Technology"), 76% equity interest in Shanghai Morimatsu Chemical Equipment Co., Ltd. ("Morimatsu Chemical Equipment") and 1.53% equity interest in Shanghai Morimatsu Pressure Vessel Co., Ltd. ("Morimatsu Pressure Vessel") were assigned to Shanghai Morimatsu Seiki Co., Ltd. ("Morimatsu Seiki"). No consideration was paid or received from the demerger. As a result of the demerger, in accordance with the Group's accounting policy set out in Note 2(w), a single amount in the combined statement of profit or loss was presented in respect of the discontinued operations' profit for the year ended 31 December 2019 (with comparative figures during the Relevant Period restated). The transaction was accounted for as an equity transaction (see Note 29(f)(ii)). No gain or loss was recognised in the combined statement of profit or loss.

(a) Results of discontinued operation

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	35,117	31,605	50,334	50,334	–
Cost of sales	(45,803)	(34,703)	(35,023)	(35,023)	–
External other income	27,982	19,855	7,757	7,757	–
Inter-segment other income *(note)*	19,055	23,087	35,215	35,215	–
Expenses	(61,297)	(63,589)	(54,007)	(54,007)	–
Results from operating activities	(24,946)	(23,745)	4,276	4,276	–
Income tax	1,852	3,078	1,397	1,397	–
Results from operating activities, net of tax	(23,094)	(20,667)	5,673	5,673	–
Gain on sale of discontinued operations	–	–	–	–	–
Income tax on gain on sale of discontinued operation	–	–	–	–	–
(Loss)/profit from discontinued operation for the year/period, net of tax	(23,094)	(20,667)	5,673	5,673	–
Attributable to:					
Equity shareholders of the Company	(21,204)	(18,482)	5,867	5,867	–
Non-controlling interests	(1,890)	(2,185)	(194)	(194)	–

Note: For the years ended 31 December 2017 and 2018 and for the nine months period ended 30 September 2019, inter-segment other income represented the rental income recognised by Morimatsu Chemical Equipment in the discontinued operation (as the lessor) for leasing of its plant and building to certain entities in the continued operation (as the lessee). The rental expenses incurred by these entities in continuing operation were recognised as cost of sales in the Group's combined statements of profit and loss.

Following the Demerger on 30 September 2019, the results of discontinued operation were no longer combined in the Group's combined statements of profit and loss. The rental expenses incurred by those entities in continuing operation for leasing of such plant and building from Morimatsu Chemical Equipment since 1 October 2019 becomes a related party transaction as set out in Note 33(c).

(b) Cash flows generated from/(used in) discontinued operation

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from/(used in) operating activities	63,712	(5,693)	(32,947)	(32,947)	–
Net cash (used in)/generated from investing activities	(66,365)	121,138	(95,272)	(95,272)	–
Net cash generated from/(used in) financing activities	19,964	12,275	(36,949)	(36,949)	–
Net cash from/(used in) discontinued operation	17,311	127,720	(165,168)	(165,168)	–

(c) Effect of Demerger on the financial position of the Group

	At date of disposal *RMB'000*
Property, plant and equipment	(261,699)
Right-of-use assets	(46,465)
Intangible assets	(4,456)
Long-term receivables	(33,231)
Financial asset measure at FVPL	(8,275)
Other non-current assets	(3,773)
Inventories	(99,110)
Contract assets	(8,664)
Trade and other receivables	(313,161)
Financial assets measured at FVPL	(79,840)
Cash and cash equivalents	(9,839)
Trade and other payables	165,583
Contract liabilities	149,970
Interest-bearing borrowings	24,755
Current taxation	986
Provisions	2,065
Net assets disposed	(525,154)

6 OTHER INCOME/(LOSS)

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants (i)	15,085	12,370	8,216	3,564	7,991
Rentals receivable from operating leases	7,166	4,272	–	–	45
Interest income	2,468	3,895	3,984	2,452	1,374
Net realised gains on financial assets measured at fair value through profit or loss	1,535	4,360	5,091	4,368	2,503
Net foreign exchange losses	(6,977)	(12,851)	(11,947)	(22,797)	(18,587)
Loss on disposal of subsidiary	–	(28)	–	–	–
Changes in fair value of financial assets and liabilities	–	(1,342)	1,400	1,344	(57)
Net income on disposal of property, plant and equipment	(519)	(549)	(836)	(507)	(319)
Others	676	3,110	1,159	172	2,375
	19,434	13,237	7,067	(11,404)	(4,675)

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

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(a) Finance costs:					
Interest on interest-bearing borrowings	8,623	5,401	6,268	4,929	7,790
Interest on lease liabilities	18	105	113	85	52
	8,641	5,506	6,381	5,014	7,842
(b) Staff costs:					
Salaries, wages and other benefits	254,573	334,091	452,994	334,511	358,081
Equity-settled share-based payment expenses *(Note 28)*	–	–	–	–	20,260
Contributions to defined contribution retirement plans (i)	32,759	40,824	49,237	36,515	10,925
	287,332	374,915	502,231	371,026	389,266

(i) Employees of the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiary contributes 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.

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(c) Other items:					
Amortisation of intangible assets	3,304	3,577	4,159	3,124	3,728
Depreciation charge					
– owned property, plant and equipment	55,048	55,469	57,070	43,795	48,204
– right-of-use assets	3,916	4,487	4,361	3,253	3,460
Impairment losses					
– trade receivables	(6,298)	(46,465)	(11,945)	(6,258)	(4,323)
– other receivables	1,144	66	7	(1,217)	(70)
– contract assets	39	(11)	170	234	203
Listing expense	–	6,256	4,735	1,470	14,098
Research and development costs (i)	87,246	120,683	126,146	90,909	74,867
Increase in provisions *(Note 26)*	13,168	9,699	8,320	5,763	4,360
Cost of inventories (ii)	1,286,665	1,955,935	2,223,441	1,623,108	1,433,464

(i) Research and development costs included staff costs of RMB34,435,000, RMB54,145,000, RMB71,941,000, RMB54,380,000, RMB56,302,000, depreciation and amortisation expenses of RMB4,218,000, RMB5,293,000, RMB4,204,000, RMB3,239,000, RMB3,746,000 for the year ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020, which are also included in the respective total amounts disclosed separately above or in Note 7(b).

(ii) Cost of inventories included staff costs of RMB207,196,000, RMB266,160,000, RMB283,614,000, RMB178,425,000, RMB205,564,000, depreciation and amortisation expenses of RMB44,710,000, RMB37,183,000, RMB41,627,000, RMB34,139,000, RMB35,406,000 for the year ended 31 December 2017, 2018, 2019, the nine months ended 30 September 2019 and 2020, which are also included in the respective total amounts disclosed separately above or in Note 7(b).

8 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

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

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
Provision for the year/period	13,023	14,633	17,782	21,035	34,749
Deferred tax:					
Origination and reversal of temporary differences	1,554	16,790	7,305	2,891	2,685
Income tax from continuing operation	14,577	31,423	25,087	23,926	37,434

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

		Year ended 31 December			Nine months ended 30 September	
	Note	2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation from continuing operation		29,351	177,877	166,033	153,028	258,632
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	*(i)(ii)*	3,285	30,680	21,198	18,537	45,564
Additional deduction for qualified research and development expenses	*(iii)*	(4,433)	(8,909)	(9,933)	(6,836)	(6,650)
Under/(over)-provision in respect of prior year		–	166	(39)	(39)	97
Non-deductible expenses		1,532	(13)	1,739	996	927
Tax effect of unrecognised loss	*(v)*	15,164	16,502	12,269	12,014	(19)
Tax effect of unrecognised temporary difference		(971)	(7,003)	(147)	(746)	(2,485)
Income tax from continuing operation		14,577	31,423	25,087	23,926	37,434

(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 liable to the Hong Kong Profits Tax at a rate of 16.5% during the Relevant Periods. No provision for Hong Kong Profits Tax was made for the Company incorporated in Hong Kong as the Company did not have income subject to Hong Kong Profits Tax during the Relevant Periods.

Pursuant to the income tax rules and regulations of Sweden, Pharmadule Sweden was liable to the Sweden Corporate Tax at a rate of 22% in 2017 and 2018, and 21.4% in 2019 and 2020. No provision for Sweden Corporate Tax was made for Pharmadule Sweden as the Company did not have income subject to Sweden Corporate Tax in 2017, 2018 and 2019.

Pursuant to the income tax rules and regulations of the United States, Pharmadule US was liable to the United States Corporate Tax at a rate of 35%, 21%, 21% and 21% in 2017, 2018, 2019 and 2020, respectively, which represents federal income tax at a rate determined by income ranges.

Pursuant to the income tax rules and regulations of India, Pharmadule India was liable to the Indian Corporate Tax at a rate of 25% during the Relevant Periods. No provision for Indian Corporate Tax was made for Pharmadule India as the Company did not have income subject to Indian Corporate Tax during the Relevant Periods.

Pursuant to the income tax rules and regulations of Japan, Morimatsu Japan was liable to the Japan Corporate Tax at a rate of 30.58%, 30.38%, 33.28% and 33.28% in 2017, 2018, 2019 and 2020, respectively. No provision for Japanese Corporate Tax was made for Morimatsu Japan as the Company did not have income subject to Japanese Corporate Tax during the Relevant Periods.

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

	Applicable preferential tax rate	**Period**
Morimatsu Pharmaceutical Equipment	15%	2017 – 2020
Morimatsu Heavy Industry	15%	2018 – 2020
Morimatsu Solar Technology (Demerged on 30 September 2019)	15%	2017 – 2019
Morimatsu Chemical Equipment (Demerged on 30 September 2019)	15%	2017 – 2018

(iii) Under the CIT Law of the PRC and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 150% on the amount actually incurred for the year ended 31 December 2017, and at 175% on the amount actually incurred for each of the years ended 31 December, 2018 and 2019 and the nine months ended 30 September 2019 and 2020.

(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 was mainly arising from the Morimatsu China whose principal activity was investment holding, and from the Morimatsu Chemical Equipment and Morimatsu Solar Technology which were demerged at 30 September 2019 (Note 29 (f)(ii)).

9 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2017

	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wei Hua Tang	–	303	886	45	1,234
Mr. Ye Sheng	–	249	633	45	927
Mr. Koei Nishimatsu	–	970	402	–	1,372
Mr. Jungo Hirazawa	–	–	–	–	–
Mr. Hirotaka Kawashima	–	496	219	–	715
Non-executive director					
Mr. Terumoto Matsuhisa	–	–	–	–	–
	–	2,018	2,140	90	4,248

Year ended 31 December 2018

	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wei Hua Tang	–	307	1,076	49	1,432
Mr. Ye Sheng	–	254	901	49	1,204
Mr. Koei Nishimatsu	–	908	418	–	1,326
Mr. Jungo Hirazawa	–	–	–	–	–
Mr. Hirotaka Kawashima	–	452	230	–	682
Non-executive director					
Mr. Terumoto Matsuhisa	–	–	–	–	–
	–	1,921	2,625	98	4,644

Year ended 31 December 2019

	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wei Hua Tang	–	314	1,253	49	1,616
Mr. Ye Sheng	–	260	1,141	49	1,450
Mr. Koei Nishimatsu	–	1,353	420	–	1,773
Mr. Jungo Hirazawa	–	–	–	–	–
Mr. Hirotaka Kawashima	–	794	235	–	1,029
Non–executive director					
Mr. Terumoto Matsuhisa	–	–	–	–	–
	–	2,721	3,049	98	5,868

Nine months ended 30 September 2020

	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Sub-Total	Share–based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *Note 28*	*RMB'000*
Executive directors							
Mr. Wei Hua Tang	–	221	597	4	822	1,212	2,034
Mr. Ye Sheng	–	181	810	4	995	1,212	2,207
Mr. Koei Nishimatsu	–	1,117	316	–	1,433	1,732	3,165
Mr. Jungo Hirazawa	–	–	–	–	–	520	520
Mr. Hirotaka Kawashima	–	798	177	–	975	606	1,581
Non–executive director							
Mr. Terumoto Matsuhisa	–	–	–	–	–	2,573	2,573
	–	2,317	1,900	8	4,225	7,855	12,080

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wei Hua Tang	–	236	710	37	983
Mr. Ye Sheng	–	195	736	37	968
Mr. Koei Nishimatsu	–	759	315	–	1,074
Mr. Jungo Hirazawa	–	–	–	–	–
Mr. Hirotaka Kawashima	–	448	176	–	624
Non–executive director					
Mr. Terumoto Matsuhisa	–	–	–	–	–
	–	1,638	1,937	74	3,649

Mr. Wei Hua Tang, Mr Ye Sheng, Mr Koei Nishimatsu, Mr Jungo Hirazawa, and Mr Hirotaka Kawashima were appointed as executive director of the Company on 1 September 2020. Mr Terumoto Matsuhisa was appointed as non-executive director of the Company on 1 September 2020. They are also key management personnel of the Group during the Relevant Periods. The remuneration disclosed above include those for services rendered by them as key management personnel.

In addition to the directors' remuneration disclosed above, certain directors (Mr Koei Nishimatsu, Mr Jungo Hirazawa, Mr Hirotaka Kawashima and Mr Terumoto Matsuhisa) are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the years ended 31 December 2017, 2018, 2019, and the nine months ended 30 September 2019 and 2020, three, three, three, three and three are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining two, two, two, two and two individuals during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	1,266	1,553	638	1,124	389
Discretionary bonuses	825	904	1,737	564	975
Share-based payments *(Note 28)*	–	–	–	–	2,250
Retirement scheme contributions	–	49	99	82	8
	2,091	2,506	2,474	1,770	3,622

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil – HKD1,000,000	–	1	–	1	–
HKD1,000,001 – HKD1,500,000	2	–	2	1	–
HKD1,500,001 – HKD2,000,000	–	1	–	–	1
HKD2,000,001 – HKD2,500,000	–	–	–	–	1

11 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods using the basis of preparation and presentation as disclosed in Note 1.

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2017	1,026,188	285,897	111,741	17,685	61,925	1,503,436
Additions	385	2,016	2,969	1,133	9,693	16,196
Transfer from construction in progress	42,999	3,307	1,159	–	(47,465)	–
Disposals	(358)	(742)	(4,007)	(738)	–	(5,845)
At 31 December 2017 and 1 January 2018	1,069,214	290,478	111,862	18,080	24,153	1,513,787
Additions	2,064	11,698	5,599	838	85,600	105,799
Transfer from construction in progress	17,938	2,608	606	–	(21,152)	–
Disposals	(385)	(2,053)	(6,017)	(661)	–	(9,116)
At 31 December 2018 and 1 January 2019	1,088,831	302,731	112,050	18,257	88,601	1,610,470
Additions	516	42,515	14,495	5,580	62,680	125,786
Transfer from construction in progress	766	15,466	1,861	–	(18,093)	–
Discontinued operation *(Note 5)*	(384,617)	(79,654)	(37,487)	(6,901)	–	(508,659)
Disposals	–	(45,327)	(15,761)	(38)	–	(61,126)
At 31 December 2019 and 1 January 2020	705,496	235,731	75,158	16,898	133,188	1,166,471
Additions	1,250	8,689	4,918	1,056	41,941	57,854
Transfer from construction in progress	142,163	12,176	1,137	8	(155,484)	–
Disposals	–	(2,653)	(1,169)	(588)	–	(4,410)
At 30 September 2020	848,909	253,943	80,044	17,374	19,645	1,219,915

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2017	(199,596)	(129,180)	(85,672)	(14,553)	–	(429,001)
Charge for the year	(46,291)	(23,011)	(7,366)	(705)	–	(77,373)
Written back on disposal for the year	70	490	3,570	664	–	4,794
At 31 December 2017 and 1 January 2018	(245,817)	(151,701)	(89,468)	(14,594)	–	(501,580)
Charge for the year	(48,628)	(22,122)	(5,514)	(683)	–	(76,947)
Written back on disposal for the year	20	1,156	5,336	595	–	7,107
At 31 December 2018 and 1 January 2019	(294,425)	(172,667)	(89,646)	(14,682)	–	(571,420)
Charge for the year	(44,727)	(20,647)	(6,070)	(1,185)	–	(72,629)
Discontinued operation *(Note 5)*	155,517	53,312	32,419	5,712	–	246,960
Written back on disposal for the year	–	28,283	12,724	16	–	41,023
At 31 December 2019 and 1 January 2020	(183,635)	(111,719)	(50,573)	(10,139)	–	(356,066)
Charge for the period	(25,538)	(16,214)	(5,154)	(1,298)	–	(48,204)
Written back on disposal for the period	–	2,116	949	530	–	3,595
At 30 September 2020	(209,173)	(125,817)	(54,778)	(10,907)	–	(400,675)
Net book Value:						
At 31 December 2017	823,397	138,777	22,394	3,486	24,153	1,012,207
At 31 December 2018	794,406	130,064	22,404	3,575	88,601	1,039,050
At 31 December 2019	521,861	124,012	24,585	6,759	133,188	810,405
At 30 September 2020	639,736	128,126	25,266	6,467	19,645	819,240

13 RIGHT-OF-USE ASSETS

Right-of-use assets	Land use right *RMB'000*	Leasehold plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2017	197,737	–	–	197,737
Additions	–	6,059	–	6,059
At 31 December 2017 and 1 January 2018	197,737	6,059	–	203,796
Additions	–	1,532	111	1,643
At 31 December 2018 and 1 January 2019	197,737	7,591	111	205,439
Additions	–	578	248	826
Discontinued operation *(Note 5)*	(62,273)	–	–	(62,273)
At 31 December 2019 and 1 January 2020	135,464	8,169	359	143,992
Additions	–	54	–	54
At 30 September 2020	135,464	8,223	359	144,046
Accumulated depreciation:				
At 1 January 2017	(31,094)	–	–	(31,094)
Charge for the year	(4,135)	(1,102)	–	(5,237)
At 31 December 2017 and 1 January 2018	(35,229)	(1,102)	–	(36,331)
Charge for the year	(4,135)	(1,671)	(2)	(5,808)
At 31 December 2018 and 1 January 2019	(39,364)	(2,773)	(2)	(42,139)
Charge for the year	(3,805)	(1,492)	(55)	(5,352)
Discontinued operation *(Note 5)*	15,808	–	–	15,808
At 31 December 2019 and 1 January 2020	(27,361)	(4,265)	(57)	(31,683)
Charge for the period	(2,110)	(1,291)	(59)	(3,460)
At 30 September 2020	(29,471)	(5,556)	(116)	(35,143)
Net book value:				
At 31 December 2017	162,508	4,957	–	167,465
At 31 December 2018	158,373	4,818	109	163,300
At 31 December 2019	108,103	3,904	302	112,309
At 30 September 2020	105,993	2,667	243	108,903

14 INTANGIBLE ASSETS

	Patents and trademarks *RMB'000*	Software *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2017	31,442	22,359	1,530	55,331
Additions	–	1,109	1,837	2,946
Transfer from construction in progress	–	1,102	(1,102)	–
At 31 December 2017 and 1 January 2018	31,442	24,570	2,265	58,277
Additions	–	7,815	–	7,815
Transfer from construction in progress	–	735	(735)	–
Disposals	–	(2,405)	–	(2,405)
At 31 December 2018 and 1 January 2019	31,442	30,715	1,530	63,687
Additions	–	3,263	1,455	4,718
Transfer from construction in progress	–	637	(637)	–
Discontinued operation *(Note 5)*	(21,346)	(9,557)	–	(30,903)
Disposals	–	(1,762)	–	(1,762)
At 31 December 2019 and 1 January 2020	10,096	23,296	2,348	35,740
Additions	–	17,316	–	17,316
Transfer from construction in progress	–	2,348	(2,348)	–
Disposals	(10,096)	–	–	(10,096)
At 30 September 2020	–	42,960	–	42,960
Accumulated amortisation:				
At 1 January 2017	(23,264)	(9,648)	–	(32,912)
Charge for the year	(3,555)	(2,214)	–	(5,769)
At 31 December 2017 and 1 January 2018	(26,819)	(11,862)	–	(38,681)
Charge for the year	(2,604)	(2,467)	–	(5,071)
Written back on disposal for the year	–	1,364	–	1,364
At 31 December 2018 and 1 January 2019	(29,423)	(12,965)	–	(42,388)
Charge for the year	(2,019)	(2,713)	–	(4,732)
Discontinued operation *(Note 5)*	21,346	5,101	–	26,447
Written back on disposal for the year	–	807	–	807
At 31 December 2019 and 1 January 2020	(10,096)	(9,770)	–	(19,866)
Charge for the period	–	(3,728)	–	(3,728)
Written back on disposal for the period	10,096	–	–	10,096
At 30 September 2020	–	(13,498)	–	(13,498)
Net book value:				
At 31 December 2017	4,623	12,708	2,265	19,596
At 31 December 2018	2,019	17,750	1,530	21,299
At 31 December 2019	–	13,526	2,348	15,874
At 30 September 2020	–	29,462	–	29,462

Design software such as AutoCAD and ERP software such as SAP system are expected to be used for ten years.

Office administrative software such as Windows and Offices are expected to be used for 3 to 5 years.

15 LONG-TERM RECEIVABLES

		As at 31 December			As at 30 September
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans to employees	*(i)*	19,410	26,508	–	–
Loans to associate	*(ii)*	33,000	–	–	–
		52,410	26,508	–	–

(i) The loans to employees bear interest rate at loan prime rate per annum. The term of these loans ranged from one to ten years.

(ii) The long-term loans to Shanghai Senhe Engineering Investment Co., Ltd. ("Senhe Investment") of RMB33,000,000, bear interest rate at 2.175% per annum. The loans of RMB5,000,000, RMB12,000,000 and RMB16,000,000 were early repaid by Senhe Investment on 30 April 2018, 15 August 2018, 19 October 2018, respectively.

16 INTEREST IN ASSOCIATE

The following list contains only the particulars of material associate, which is unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest		
Name of associate	**Forms of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Groups' effective interest**	**Held by a subsidiary**	**Principal activity**
Senhe Investment	Incorporated	Shanghai	RMB50,000,000.00	35.85%	35.85%	Consulting and investing

The above associate is accounted for using the equity method in the combined financial statements. On 6 July 2018, Morimatsu Pharmaceutical Equipment exited the investment in Senhe Investment with all original capital investment amount fully paid back. Morimatsu Pharmaceutical Equipment ceased to hold any equity interest in Senhe Investment since then. There is no gain or loss arising from disposal of an associate.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the combined financial statements, are disclosed below:

	Senhe Investment As at 31 December 2017
	RMB'000
Gross amount of the associate	
Current assets	6,524
Non-current assets	111,055
Current liabilities	(18)
Non-current liabilities	(33,000)
Equity	84,561
Revenue	–
Total comprehensive income for the year ended 2017	26,261
Reconciled to the Group's interests in the associate	
Gross amount of net asset of the associate	84,561
Groups' effective interest	35.85%
Group's share of net assets of the associate	30,313
Carrying amount in the combined financial statements	30,313

17 INVENTORIES

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

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	127,149	416,188	283,923	222,385
Work in progress	270,773	406,557	848,562	693,298
	397,922	822,745	1,132,485	915,683

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss of continued operation is as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	1,250,620	1,946,153	2,201,797	1,420,601
Write down of inventories	36,045	11,126	24,310	19,667
Reversal of write-down of inventories	–	(1,344)	(2,666)	(6,804)
Recognised research and development expenses	47,726	60,212	47,478	12,229
	1,334,391	2,016,147	2,270,919	1,445,693

18 Contract assets and contract liabilities

(a) Contract assets

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Arising from revenue recognised over time	99,907	85,841	150,183	209,881
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(Note 19)*	333,943	534,747	468,618	411,296

(b) Contract liabilities

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Billings in advance of performance	621,714	1,162,841	1,264,079	1,025,293

	Contract liabilities *RMB'000*
Movement in contract liabilities	
At 1 January 2017	564,976
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(553,218)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	609,956
At 31 December 2017 and 1 January 2018	621,714
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(646,699)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	1,187,826
At 31 December 2018 and 1 January 2019	1,162,841
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,032,695)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	1,283,903
Decrease in contract liabilities as a result of discontinued operations during the year that was included in the contract liabilities at the beginning of the year *(Note 5)*	(149,970)
At 31 December 2019 and 1 January 2020	1,264,079
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(974,536)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	735,750
At 30 September 2020	1,025,293

19 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	59,980	282,133	61,807	20,861
Trade debtors net of loss allowance *(Note (a)(i))*	333,943	534,747	468,618	411,296
Other debtors	53,216	52,376	21,444	21,335
Financial assets measured at amortised cost	447,139	869,256	551,869	453,492
Prepayments	84,592	79,752	33,164	75,714
	531,731	949,008	585,033	529,206

(a) Transfers of financial assets

The Group endorsed bank acceptance bills to its suppliers for settling trade payables of the same amounts on a full recourse basis. All bank acceptance bills had a maturity of less than one year from the issuance date.

(i) Transferred financial assets that were derecognised in their entirety

The bills accepted by banks with high credit quality were derecognised when they were endorsed. In the opinion of the directors, the Group did not retain substantially all the risks and rewards of ownership of these bills, because the credit risk of the acceptance banks was very low and the Group had transferred out all interest risk of the bills upon endorsement. As the transferees had the practical ability to further endorse or discount the bills, control of these bills were transferred upon endorsement and thus they were derecognised. As at 31 December 2017, 2018, 2019 and 30 September 2020, bills endorsed and derecognised, but yet reached maturity amounted to RMB125,000,000, RMB233,543,000, RMB205,922,000 and RMB66,129,000 respectively. This represents the Group's maximum exposure to loss should the acceptance banks fail to settle the bills on maturity date. However, non-settlement by those acceptance banks was considered unlikely.

(ii) Transferred financial assets that are not derecognised in their entirety

The other bank acceptance bills with a total carrying amount of RMB46,481,000, RMB272,641,000, RMB52,512,000 and RMB13,322,000 endorsed by the Group to its suppliers during the years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2020 respectively to settle trade payables of the same amounts, were not derecognised. In the opinion of the directors, the Group retained substantially all risks and rewards of these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated liabilities.

(b) Ageing analysis

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

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	98,579	253,678	172,795	177,038
More than 3 months but less than 1 year	153,961	193,615	249,544	147,322
More than 1 year but less than 2 years	72,799	59,261	39,446	83,210
More than 2 years	8,604	28,193	6,833	3,726
	333,943	534,747	468,618	411,296

Trade debtors and bills receivable are mainly due within 30 days from the date of invoice. Further details on the Group's credit policy and credit risk rising from trade debtors are set out in Note 31(a).

The Company

	Note	As at 31 December 2019	As at 30 September 2020
		RMB'000	*RMB'000*
Amounts due from subsidiaries	*(i)*	90	391,121

(i) As at 30 September 2020, RMB284,741,000, RMB55,703,000, RMB50,634,000, RMB43,000 was mainly due from Morimatsu China, Morimatsu Heavy industry, Morimatsu Pharmaceutical Equipment and Morimatsu Investment HK, respectively, which was eliminated in the combined Historical Financial Information.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits with banks	217,916	154,922	–	29,028
Cash at banks and on hand	137,032	367,109	451,398	422,821
	354,948	522,031	451,398	451,849

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		4,405	154,132	170,309	157,304	258,632
Adjustments for:						
Loss on disposal of subsidiary	*6*	–	28	–	–	–
Depreciation of property, plant and equipment	*4(b)*	77,373	76,947	72,629	59,354	48,204
Depreciation of right of use assets	*4(b)*	5,237	5,808	5,352	4,244	3,460
Amortisation of intangible assets	*4(b)*	5,769	5,071	4,732	3,697	3,728
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets		1,010	2,240	1,145	817	319
Changes in fair value of financial assets and liabilities		(3,793)	1,954	(2,267)	(2,211)	57
Interest income		(3,395)	(3,903)	(4,055)	(2,682)	(1,374)
Net foreign exchange losses/(gains)		7,859	(14,523)	7,973	16,893	7,517
Finance costs	*4(b)*	8,677	5,554	6,932	5,565	7,842
Share of results of associates		(9,414)	119	–	–	–
Dividend income		(466)	(1,836)	–	–	–
Equity-settled share-based payment expenses	*7*	–	–	–	–	20,260
Net realised gains on financial assets measured at fair value through profit or loss		(1,590)	(4,401)	(5,735)	(5,012)	(2,503)
Changes in working capital						
Decrease in deferred tax assets		3,271	13,713	7,305	2,891	2,685
Decrease/(increase) in inventories		134,554	(424,823)	(408,850)	(416,249)	216,802
Decrease/(increase) in contract asset		8,139	14,066	(73,006)	(113,300)	(59,698)
Decrease/(increase) in trade and other receivables		74,096	(417,741)	51,006	(16,208)	56,050
(Increase)/decrease in other non-current assets		(1,498)	(450)	(1,458)	(1,324)	48
(Decrease)/increase in contract liabilities		(11,902)	541,127	251,208	289,014	(238,786)
Increase/(decrease) in trade and other payables		58,645	394,662	120,966	164,289	(190,958)
(Decrease)/increase for deferred income		(250)	(2,121)	(2,881)	71,933	(38)
Increase/(decrease) in provisions		4,750	(356)	4,629	2,657	(481)
Net cash flows generated from operating activities		361,477	345,267	205,934	221,672	131,766
– Continuing operations		297,765	350,960	238,881	254,619	131,766
– Discontinued operations		63,712	(5,693)	(32,947)	(32,947)	–

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 24)*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2017	465,856	–	–	465,856
Changes from financing cash flows:				
Proceeds from borrowings from related parties	32,490	–	–	32,490
Proceeds from bank loans	70,783	–	–	70,783
Capital element of lease rentals paid	–	(1,085)	–	(1,085)
Interest element of lease rentals paid	–	(18)	–	(18)
Repayment of bank loans	(230,657)	–	–	(230,657)
Repayment of borrowings from related parties	(98,163)	–	–	(98,163)
Interest paid	–	–	(7,368)	(7,368)
Total changes from financing cash flows	(225,547)	(1,103)	(7,368)	(234,018)
Exchange adjustment	(6,660)	–	–	(6,660)
Change in fair value	–	–	–	–
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	6,059	–	6,059
Interest expenses	–	18	8,659	8,677
Total other changes	–	6,077	8,659	14,736
At 31 December 2017 and 1 January 2018	233,649	4,974	1,291	239,914
Changes from financing cash flows:				
Proceeds from borrowings from related parties	484,383	–	–	484,383
Proceeds from bank loans	42,436	–	–	42,436
Capital element of lease rentals paid	–	(1,559)	–	(1,559)
Interest element of lease rentals paid	–	(104)	–	(104)
Repayment of bank loans	(181,339)	–	–	(181,339)
Repayment of borrowings from related parties	(62,075)	–	–	(62,075)
Interest paid	–	–	(6,741)	(6,741)
Total changes from financing cash flows	283,405	(1,663)	(6,741)	275,001
Exchange adjustment	1,644	–	–	1,644
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	1,643	–	1,643
Interest expenses	–	104	5,450	5,554
Total other changes	–	1,747	5,450	7,197
At 31 December 2018 and 1 January 2019	518,698	5,058	–	523,756

	Bank loans and other borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 24)*	Interest payable *RMB'000*	Total *RMB'000*
At 31 December 2018 and 1 January 2019	518,698	5,058	–	523,756
Changes from financing cash flows:				
Proceeds from borrowings from related parties	56,579	–	–	56,579
Proceeds from bank loans	15,000	–	–	15,000
Capital element of lease rentals paid	–	(1,525)	–	(1,525)
Interest element of lease rentals paid	–	(113)	–	(113)
Repayment of bank loans	(15,000)	–	–	(15,000)
Repayment of borrowings from related parties	(95,611)	–	–	(95,611)
Interest paid	–	–	(6,819)	(6,819)
Total changes from financing cash flows	(39,032)	(1,638)	(6,819)	47,489
Exchange adjustment	13,270	–	–	13,270
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	826	–	826
Interest expenses	–	113	6,819	6,932
Discontinued operation *(Note 5(c))*	(24,755)	–	–	(24,755)
Total other changes	(24,755)	939	6,819	(16,997)
At 31 December 2019 and 1 January 2020	468,181	4,359	–	472,540
At 1 January 2020	468,181	4,359	–	472,540
Changes from financing cash flows:				
Proceeds from borrowings from related parties	215,405	–	–	215,405
Proceeds from bank loans	441,393	–	–	441,393
Capital element of lease rentals paid	–	(1,362)	–	(1,362)
Interest element of lease rentals paid	–	(52)	–	(52)
Repayment of bank loans	(14,500)	–	–	(14,500)
Repayment of borrowings from related parties	(667,831)	–	–	(667,831)
Interest paid	–	–	(7,790)	(7,790)
Total changes from financing cash flows	(25,533)	(1,414)	(7,790)	(34,737)
Exchange adjustment	507.00	–	–	507
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	–	–
Interest expenses *(Note 7(a))*	–	52	7,790	7,842
Waiver of liability *(Note 29(g))*	(8,770)	–	–	(8,770)
Total other changes	(8,770)	52	7,790	(928)
At 30 September 2020	434,385	2,997	–	437,382

	Bank Loans and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*	Total *RMB'000*
(Unaudited)				
At 31 December 2018 and 1 January 2019	518,698	5,058	–	523,756
Changes from financing cash flows:				
Proceeds from borrowings from related parties	48,579	–	–	48,579
Proceeds from bank loans	–	–	–	–
Capital element of lease rentals paid	–	(745)	–	(745)
Interest element of lease rentals paid	–	(85)	–	(85)
Repayment of bank loans	–	–	–	–
Repayment of borrowings from related parties	(126,124)	–	–	(126,124)
Interest paid	–	–	(5,480)	(5,480)
Total changes from financing cash flows	(77,545)	(830)	(5,480)	(83,855)
Exchange adjustment	20,863	–	–	20,863
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	919	–	919
Interest expenses	–	85	5,480	5,565
Discontinued operation *(Note 5(c))*	(24,755)	–	–	(24,755)
Total other changes	(24,755)	1,004	5,480	(18,271)
At 30 September 2019	437,261	5,232	–	442,493

21 LOANS TO DIRECTORS

Loans to directors of the Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

(a) Loans made by the Company (non-trading)

Name of borrower	Ye Sheng Wei Hua Tang
Relationship with the Company	Director and key management personnel
Terms of the loan	
– duration and repayment terms	1 year
– loan amount	RMB1,581,300.00
– interest rate	6%
Balance of the loan	
– at 31 December 2017	Nil
– at 31 December 2018	Nil
– at 31 December 2019	Nil
– at 30 September 2020	Nil
Maximum balance outstanding	
– during 2020	Nil
– during 2019	RMB1,581,300.00
– during 2018	Nil
– during 2017	Nil

There was no amount due but unpaid, nor any loss allowance made against the principal amount of or interest on the above loan at 31 December 2017, 2018, 2019 and 30 September 2020.

22 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payable	–	–	17,000	–
Trade payables	331,642	631,040	523,828	394,253
Other payables and accruals	119,552	209,930	263,162	283,400
Financial liabilities measured at amortised cost	451,194	840,970	803,990	677,653

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

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	247,924	425,970	396,307	280,347
More than 3 months but less than 6 months	46,543	123,826	90,358	42,974
More than 6 months but less than 12 months	21,137	44,062	27,505	53,432
More than 1 year but less than 2 years	6,673	11,342	7,294	14,579
More than 2 years	9,365	25,840	2,364	2,921
	331,642	631,040	523,828	394,253

23 INTEREST-BEARING BORROWINGS

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

The Group

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
– bank loans	138,962	–	8,000	434,385
– borrowings from related parties	94,687	142,104	446,229	–
	233,649	142,104	454,229	434,385
Non-current				
– bank loans	–	–	–	–
– borrowings from related parties	–	376,594	13,952	–
Interest-bearing borrowings	233,649	518,698	468,181	434,385

As at 31 December 2017, 2018 and 2019, all of the above bank loans was guaranteed by Morimatsu Industry Company Limited. As at 30 September 2020, bank loans of RMB267,260,000 was guaranteed by Morimatsu Industry Company Limited.

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

The Company

	Note	**As at 31 December 2019** *RMB'000*	**As at 30 September 2020** *RMB'000*
Current			
– bank loans	*(i)*	–	434,385
– borrowings from related parties		–	–
		–	434,385
Non-current			
– bank loans		–	–
– borrowings from related parties		–	–
Interest-bearing borrowings		–	–

(i) As at 30 September 2020, bank loan of RMB267,260,000 bearing interest at 4.39% per annum, was guaranteed by Morimatsu Industry Company Limited, and bank loans of RMB132,215,000 and RMB34,910,000 bears interest at 4.20% and 2.43% respectively per annum.

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

	As at 31 December			**As at 30 September**
	2017 *RMB'000*	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Within 1 year or on demand	233,649	142,104	454,229	434,385
After 1 year but within 2 years	–	376,594	13,952	–
	233,649	518,698	468,181	434,385

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each Relevant Period:

	As at 31 December 2017		As at 31 December 2018		As at 31 December 2019		As at 30 September 2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,143	1,182	1,238	1,319	1,854	1,915	1,111	1,138
After 1 year but within 2 years	623	654	1,446	1,488	856	877	830	840
After 2 years but within 5 years	2,388	2,423	2,216	2,234	1,649	1,660	1,056	1,060
After 5 years	820	820	158	158	–	–	–	–
	4,974	5,079	5,058	5,199	4,359	4,452	2,997	3,038
Less: total future interest expenses		(105)		(141)		(93)		(41)
Present value of lease liabilities		4,974		5,058		4,359		2,997

25 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

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

	Year ended 31 December			Nine months ended 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for income tax for the year/period:				
Balance at 1 January	8,717	11,708	13,451	13,008
Provision for current income tax for the year/period	12,978	14,632	17,782	34,749
Discontinued operation *(Note 5(c))*	–	–	(986)	–
PRC income tax paid	(9,987)	(16,102)	(17,239)	(47,059)
PRC income tax refund	–	3,213	–	–
	11,708	13,451	13,008	698
Add: Other current assets	–	–	–	3,800
Balance at 31 December/ 30 September	11,708	13,451	13,008	4,498

25 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

	Accruals and provisions *RMB'000*	Amortisation of Intangible assets *RMB'000*	Credit loss allowance *RMB'000*	Provisions for investment in an associate *RMB'000*	Revaluation of financial assets and liabilities *RMB'000*	Deductible tax losses *RMB'000*	Depreciation allowances in excess of the related depreciation *RMB'000*	Provisions for warranties, onerous contract and litigation *RMB'000*	Provisions for inventories *RMB'000*	Deferred income *RMB'000*	Total *RMB'000*
Deferred tax assets arising from:											
At 1 January 2017	611	22	8,728	323	(66)	11,741	–	830	2,212	200	24,601
Credited/(charged) to profit or loss	956	(3)	802	(507)	66	(7,698)	–	445	5,310	883	254
At 31 December 2017 and 1 January 2018	1,567	19	9,530	(184)	–	4,043	–	1,275	7,522	1,083	24,855
Credited/(charged) to profit or loss	711	(3)	(3,763)	184	201	(2,024)	(3,178)	(22)	(5,235)	(584)	(13,713)
At 31 December 2018 and 1 January 2019	2,278	16	5,767	–	201	2,019	(3,178)	1,253	2,287	499	11,142
Credited/(charged) to profit or loss	1,408	(3)	(2,093)	–	(210)	(2,019)	(6,990)	741	2,143	(282)	(7,305)
At 31 December 2019 and 1 January 2020	3,686	13	3,674	–	(9)	–	(10,168)	1,994	4,430	217	3,837
Credited/(charged) to profit or loss	223	(2)	(646)	–	9	–	(2,800)	(72)	459	144	(2,685)
At 30 September 2020	3,909	11	3,028	–	–	–	(12,968)	1,922	4,889	361	1,152

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB127,765,000, RMB218,065,000, RMB111,317,000 and RMB127,208,000 as at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, of the relevant companies as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The deductible tax losses expire within 5 years from the year when such losses were incurred under current tax law.

(d) Deferred tax liabilities not recognised

At 31 December 2017, 2018, 2019 and 30 September 2020, temporary differences relating to undistributed profits of the subsidiaries amounted to RMB126,588,000, RMB141,090,000, RMB282,833,000 and RMB452,257,000 respectively. Deferred tax liabilities of RMB12,659,000, RMB14,109,000, RMB28,283,000 and RMB45,226,000 respectively have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits would not be distributed in the foreseeable future.

26 PROVISIONS

	Warranty provision	Provision for onerous contract	Provision for litigation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	6,335	–	–	6,335
Additional provisions made	9,233	4,047	–	13,280
Provisions utilised	(8,530)	–	–	(8,530)
At 31 December 2017 and 1 January 2018	7,038	4,047	–	11,085
Additional provisions made	9,483	205	–	9,688
Provisions utilised	(6,639)	(3,405)	–	(10,044)
At 31 December 2018 and 1 January 2019	9,882	847	–	10,729
Additional provisions made	6,505	–	2,061	8,566
Provisions utilised	(3,301)	(636)	–	(3,937)
Discontinued operation *(Note 5)*	(2,065)	–	–	(2,065)
At 31 December 2019 and 1 January 2020	11,021	211	2,061	13,293
Additional provisions made	4,019	341	–	4,360
Provisions utilised	(3,041)	–	(1,800)	(4,841)
At 30 September 2020	11,999	552	261	12,812

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within 18 months of the date of sales. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the 18 months prior to the end of the each Relevant Period. The amount of provision takes into account the Group's recent experience and is only made where a warranty claim is probable.

27 DEFERRED INCOME

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	5,450	3,329	448	410

Government grants are related to assets those are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme (the "Pre-IPO Share Option Scheme") which was adopted on 1 July 2020 whereby the directors of the Company are authorised, at their discretion, to invite employees, 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 expected listing date (15 March 2021) and are then exercisable within a period of five years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

As at 1 July 2020, the Group has conditionally granted options to subscribe for an aggregate of 132,380,000 shares to 27 participants (including employees, directors of the Group and an associate of one director of the Group) in 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 Company recognised a cost of RMB20,260,000 in nine months ended 30 September 2020, which is the fair value amount of the options vested on the grant date, and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and other reserve, respectively.

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

Grant date	Number of instruments	Vesting conditions	Contractual life of options	Fair value at the grant date
At 1 July 2020	132,380,000	20% at any time after the first, second, third, fourth and fifth anniversary of the expected listing date	5.71 years	RMB2.29

(b) The number of instruments are as follows:

	Nine months ended 30 September 2020
Outstanding at the beginning of the period	–
Granted during the period	132,380,000
Exercised during the period	–
Forfeited during the period	–
Outstanding at the end of the period	132,380,000
Exercisable at the end of the period	–

The options outstanding at 30 September 2020 had an exercise price of HK$0.0001 and a weighted average remaining contractual life of 5.46 years.

(c) Measurement of fair values

The fair value of the granted options has been measured using a binomial option pricing model. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

Volatility was based on historical volatilities of the comparable companies in the same industry for a period of remaining contractual life, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

29 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the Relevant Period are set out below:

The Company

	Share capital *RMB'000* *Note 29(b)*	**Capital reserve** *RMB'000*	**Exchange reserve** *RMB'000* *Note 29(c)*	**Retained earnings** *RMB'000*	**Total equity** *RMB'000*
Balance at 23 July 2019 (date of incorporation)	–	–	–	–	–
Changes in equity for the period from the date of incorporation to the end of 2019					
Loss for the period	–	–	–	(4,480)	(4,480)
Other comprehensive loss for the period	–	–	(44)	–	(44)
Total comprehensive loss income for the period	–	–	(44)	(4,480)	(4,524)
Issuance of shares	88	–	–	–	88
Balance at 31 December 2019 and 1 January 2020	88	–	(44)	(4,480)	(4,436)
Changes in equity for nine months ended 30 September 2020					
Loss for the period	–	–	–	(42,363)	(42,363)
Other comprehensive income for the period	–	–	764	–	764
Equity settled share-based transactions *(Note 28)*	–	20,260	–	–	20,260
Total comprehensive loss for the period	–	20,260	764	(42,363)	(21,339)
Balance at 30 September 2020	88	20,260	720	(46,843)	(25,775)

(b) Combined capital

The Company was incorporated in Hong Kong on 23 July 2019 and became the holding company of the Group since 11 November 2020 as part of the Reorganisation.

For the purpose of the Historical Financial Information, the combined capital of the Group as at 31 December 2017, 2018 and 2019 and 30 September 2020 represent the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates, after elimination of investment in subsidiaries.

(i) Issue of shares

On 23 July 2019, the Company was incorporated in Hong Kong with capital injection from Morimatsu Industry of HKD100,000 (equivalent to RMB88,000).

(ii) Deemed distribution to controlling shareholder

On 30 November 2019, Morimatsu Industry transferred the 80,000 shares of Morimatsu Japan, representing its entire shareholding, to the Company at the consideration of JPY38,000,000 (equivalent to RMB2,449,000).

On 15 July 2020, Morimatsu Industry transferred the 20,000 shares of Pharmadule Sweden, representing its entire shareholding, to the Company at the consideration of SEK22,850,000 (equivalent to RMB17,126,000).

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the Historical Financial Information of foreign operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in Note 2(a) and Note 2(u).

(d) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, a subsidiary of the Group which is domestic enterprise is required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to its respective statutory reserves until the reserves reach 50% of its respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital. The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Dividends

(i) Dividends for the Relevant Periods represent dividends declared and approved to equity shareholders of the Company during the Relevant Periods.

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends declared and approved during the year	22,093	139,472	2,400	30,000

The directors consider that the dividends declared and approved during the Relevant Periods are not indicative of the future dividend policy of the Group.

(f) Merger reserve

The merger reserve represents the subsidiaries' share capital which were held by entities under common control outside the Group through the dates presented. During the Relevant Periods, the following transactions of equity interests between the Group and the entities under common control outside the Group were accounted for as equity transactions and recorded in merger reserve in the Historical Financial Information.

(i) Deemed distribution to controlling shareholder

During the year ended 31 December 2018, Morimatsu China acquired 29.24% and 16.55% equity interest of Morimatsu Heavy Industry from entities under common control outside the Group at cash consideration of JPY3,303,651,620 and JPY1,869,884,894, respectively (equivalent to RMB313,374,000). The consideration was determined with reference to the net asset value of Morimatsu Heavy Industry as at 30 June 2018. As a result of the acquisition, Morimatsu Heavy Industry becomes a wholly-owned subsidiary of the Group. The transaction is accounted for as deemed distribution to shareholders with reduction in merger reserve of RMB351,888,000 recorded in the combined statement of equity.

(ii) Demerger as part of the Reorganisation

As described in Note 5, during the year ended 31 December 2019, Morimatsu China was demerged into two companies, namely, Morimatsu China and Morimatsu Seiki. Pursuant to the demerger agreements, 1% equity interest in Pharmadule India, 100% equity interest in Morimatsu Heavy Industry, Morimatsu Pharmaceutical Equipment and Morimatsu Investment HK were retained by Morimatsu China, and 80% equity interest in Morimatsu Solar Technology, 76% equity interest in Morimatsu Chemical Equipment and 1.53% equity interest in Morimatsu Pressure Vessel were assigned to Morimatsu Seiki. Those equity interests assigned to Morimatsu Seiki (collectively referred as the "Disposed Business") are related to the business of specialised pressure equipment for semiconductor, lithium-ion battery and waste sorting industries, which was reflected as discontinuing operation in the combined statement of profit or loss during the Relevant Period. At the date of demerger, the assets, liabilities and related equity balances of the Disposed Business were no longer combined into the combined statement of financial position.

(g) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary Shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

On 22 June 2020, Morimatsu Industry Company Limited waived the interest-bearing borrowings to the Group amounting to RMB8,770,000, which was treated as deemed contribution from controlling shareholder and recorded in the capital reserve within the combined statement of equity.

(h) Acquisition of non-controlling interests

On 24 June 2019, Morimatsu China obtained 3.15% additional equity interest of Morimatsu Chemical Equipment from a non-controlling shareholder at cash consideration of USD3,000,000 (equivalent to RMB20,110,000). The transaction was accounted for as an equity transaction and recorded in the combined statement of equity.

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities), less cash and cash equivalents. Adjusted capital comprises all components of equity.

During the years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratios at 31 December 2017, 2018, 2019 and 30 September 2020 were as follows:

		As at 31 December			As at 30 September
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:					
Interest-bearing borrowings	*23*	233,649	142,104	454,229	434,385
Lease liabilities	*24*	1,143	1,238	1,854	1,111
Non-current liabilities:					
Interest-bearing borrowings	*23*	–	376,594	13,952	–
Lease liabilities	*24*	3,831	3,820	2,505	1,886
Total debt		238,623	523,756	472,540	437,382
Add: Proposed dividends	*29(e)*	139,472	2,400	–	–
Less: Cash and cash equivalents	*20(a)*	(354,948)	(522,031)	(451,398)	(451,849)
Adjusted net debt		23,147	4,125	21,142	(14,467)
Total equity attributable to equity shareholders of the Company		1,406,278	1,069,414	706,763	(910,965)
Less: Proposed dividends	*29(e)*	(139,472)	(2,400)	–	–
Adjusted capital		1,266,806	1,067,014	706,763	(910,965)
Adjusted net debt-to-capital ratio		2%	<1%	3%	N/A

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

30 NON-CONTROLLING INTERESTS

The following table lists out the information relating to Morimatsu Solar Technology, the subsidiary of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination. On 30 September 2019, as part of the Demerger (Note 1, Note 29 (f)(ii)), the entire equity interest in Morimatsu Solar Technology held by the Group was transferred to Morimatsu Seiki, and the Group did not have any NCI relating to Morimatsu Solar Technology since then.

	2018	**2017**
	RMB'000	*RMB'000*
NCI percentage	20.00%	20.00%
Current assets	375,035	137,032
Non-current assets	12,592	9,662
Current liabilities	(316,113)	(117,458)
Non-current liabilities	(1,600)	(20,485)
Net assets	69,914	8,751
Carrying amount of NCI	13,983	1,750
Revenue	521,522	90,547
Profit for the year	81,161	12,437
Total comprehensive income	81,161	12,437
Profit allocated to NCI	16,232	2,487
Dividends paid to NCI	(4,000)	(10,042)
Cash flows from operating activities	16,670	1,669
Cash flows from investing activities	967	3,582
Cash flows from financing activities	(8,036)	(10,044)

The following table lists out the information relating to Morimatsu Chemical Equipment, the subsidiary of the Group which has material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination. On 24 June 2019, Senhe Investment disposed of its 6% equity interest of Morimatsu Chemical Equipment by capital withdrawal and Morimatsu Chemical Equipment was wholly owned by the equity shareholders of the Group.

	2018	**2017**
	RMB'000	*RMB'000*
NCI percentage	6.00%	6.00%
Current assets	311,050	270,801
Non-current assets	340,317	471,280
Current liabilities	(202,137)	(245,259)
Non-current liabilities	(775)	(4,061)
Net assets	448,455	492,761
Carrying amount of NCI	26,907	29,566
Revenue	226,566	297,663
Loss for the year	(44,306)	(82,160)
Total comprehensive income	(44,306)	(82,160)
Loss allocated to NCI	(2,658)	(4,930)
Dividends paid to NCI	–	(3,013)
Cash flows from operating activities	(3,284)	9,187
Cash flows from investing activities	8,592	(6,882)
Cash flows from financing activities	1,019	(2,374)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and interest rate risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2017, 16% of the total trade receivables and contract assets was due from the Group's largest customer, 37% of the total trade receivables and contract assets was due from the Group's five largest customers respectively. As at 31 December 2018, 19% of the total trade receivables and contract assets was due from the Group's largest customer, 44% of the total trade receivables and contract assets was due from the Group's five largest customer. As at 31 December 2019, 17% of the total trade receivables and contract assets was due from the Group's largest customer, 44% of the total trade receivables and contract assets was due from the Group's five largest customer. As at 30 September 2020, 5% of the total trade receivables and

contract assets was due from the Group's largest customer, 27% of the total trade receivables and contract assets was due from the Group's five largest customers respectively.

Individual credit evaluations are performed on all customers who have high credit risk such as litigation issues. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mainly due within 30 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without under cost or effort. This includes information about past events, current conditions and forecast of future economic conditions.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

As during the year ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2020, there was no significant change in the customer base, the credit risk of customers, the Group's credit policy, the economic conditions and the Group's view of economic conditions over the expected lives of receivables. The Group applied the same credit loss rates for the Relevant Periods.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2017, 2018, 2019 and 30 September 2020:

		30 September 2020	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	0.05%-0.27%	402,757	(927)
Within 1 year	0.41%-12.36%	198,375	(3,370)
After 1 year but within 2 years	5.35%-100.00%	27,337	(2,995)
After 2 years	100.00%	7,163	(7,163)
		635,632	(14,455)
Customers with high credit risk	100.00%	1,062	(1,062)
		636,694	(15,517)

		31 December 2019	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	0.05%-0.27%	330,100	(777)
Within 1 year	0.41%-12.36%	271,419	(3,506)
After 1 year but within 2 years	5.35%-100.00%	25,444	(3,879)
After 2 years	100.00%	1,093	(1,093)
		628,056	(9,255)
Customers with high credit risk	100.00%	10,497	(10,497)
		638,553	(19,752)

		31 December 2018	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	0.05%-0.27%	373,298	(734)
Within 1 year	0.41%-12.36%	216,609	(5,189)
After 1 year but within 2 years	5.35%-100.00%	39,629	(3,025)
After 2 years	100.00%	33	(33)
		629,569	(8,981)
Customers with high credit risk	100.00%	43,827	(43,827)
		673,396	(52,808)

		31 December 2017	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	0.05%-0.27%	262,459	(778)
Within 1 year	0.41%-12.36%	157,313	(3,384)
After 1 year but within 2 years	5.35%-100.00%	20,731	(2,491)
After 2 years	100.00%	604	(604)
		441,107	(7,257)
Customers with high credit risk	100.00%	91,993	(91,993)
		533,100	(99,250)

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	111,617	99,250	52,808	19,752
Amounts written off during the year/period	(97)	(52)	(1,210)	(115)
Discontinued operation	–	–	(20,031)	–
Impairment losses recognised during the year/period	13,027	1,856	5,451	5,314
Impairment losses reversed during the year/period	(25,297)	(48,246)	(17,266)	(9,434)
Balance at 31 December/ 30 September	99,250	52,808	19,752	15,517

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the Relevant Period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the Relevant Period) and the earliest date the Group can be required to pay:

	As at 30 September 2020			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	452,484	–	452,484	434,385
Trade and other payables	677,653	–	677,653	677,653
Lease liabilities	1,138	1,900	3,038	2,997
	1,131,275	1,900	1,133,175	1,115,035

	As at 31 December 2019			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	464,149	14,507	478,656	468,181
Trade and other payables	803,990	–	803,990	803,990
Lease liabilities	1,915	2,537	4,452	4,359
	1,270,054	17,044	1,287,098	1,276,530

	As at 31 December 2018			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	144,364	385,426	529,790	518,698
Trade and other payables	840,970	–	840,970	840,970
Lease liabilities	1,319	3,880	5,199	5,058
	986,653	389,306	1,375,959	1,364,726

	As at 31 December 2017			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	238,367	–	238,367	233,649
Trade and other payables	451,194	–	451,194	451,194
Lease liabilities	1,182	3,897	5,079	4,974
	690,743	3,897	694,640	689,817

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the Relevant Period.

	As at 31 December 2017		As at 31 December 2018		As at 31 December 2019		As at 30 September 2020	
	Interest rate		Interest rate		Interest rate		Interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:								
Interest-bearing borrowings	1%-4.13%	233,649	1%-3%	518,698	1%-3.58%	468,181	2.43%-4.39%	434,385
Lease liabilities	0.00%-6.25%	4,974	0.00%-6.25%	5,058	0.00%-6.25%	4,359	0.00%-6.25%	2,997
Total borrowings		238,623		523,756		472,540		437,382
Fixed rate borrowings as a percentage of total borrowings		100%		100%		100%		100%

(d) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Japanese Yen, Hong Kong dollar, Svensk krona and Indian Rupee.

The following table details the Group's exposure at the end of the Relevant Period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at each year/period end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in RMB'000) As at 30 September 2020					
	USD	EUR	JPY	HKD	SEK	INR
Cash and cash equivalents	277,192	42,306	7,050	5,315	3,510	972
Trade and other receivables	120,653	28,217	285,460	43	6,337	382
Contract assets	28,463	14,856	–	–	11,756	–
Interest-bearing borrowings	–	–	–	(34,909)	–	–
Trade and other payables	(31,241)	(9,881)	(1,699)	(5,397)	(20,413)	(641)
Contract liabilities	(388,789)	(12,070)	–	–	–	–
Net balance sheet exposure	6,278	63,428	290,811	(34,948)	1,190	713

	Exposure to foreign currencies (expressed in RMB'000) As at 31 December 2019					
	USD	EUR	JPY	HKD	SEK	INR
Cash and cash equivalents	341,946	14,515	7,823	16	574	1,980
Trade and other receivables	95,423	20,523	478	90	2,332	319
Contract assets	22,530	7,266	–	–	–	–
Interest-bearing borrowings	(125,572)	–	(317,610)	–	–	–
Trade and other payables	(20,489)	(3,039)	(6,027)	(4,274)	(5,717)	(264)
Net balance sheet exposure	313,838	39,265	(315,336)	(4,168)	(2,811)	2,035

	Exposure to foreign currencies (expressed in RMB'000) As at 31 December 2018					
	USD	EUR	JPY	HKD	SEK	INR
Cash and cash equivalents	246,879	30,131	24,772	12	373	3,400
Trade and other receivables	248,239	26,442	7,248	–	9,388	198
Contract assets	11,116	–	–	–	–	–
Interest-bearing borrowings	(157,854)	–	(343,844)	–	–	–
Trade and other payables	(56,477)	(8,427)	(2,566)	(42)	(6,096)	(335)
Net balance sheet exposure	291,903	48,146	(314,390)	(30)	3,665	3,263

	Exposure to foreign currencies (expressed in RMB'000) As at 31 December 2017					
	USD	EUR	JPY	HKD	SEK	INR
Cash and cash equivalents	329,262	6,064	3,359	59	1,306	5,097
Trade and other receivables	254,661	5,419	7,843	–	2,050	–
Contract assets	74,189	70	–	–	–	–
Interest-bearing borrowings	(183,430)	(13,919)	–	–	–	–
Trade and other payables	(62,348)	(5,654)	(527)	(40)	(3,214)	(78)
Net balance sheet exposure	412,334	(8,020)	10,675	19	142	5,019

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of combined equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the Relevant Period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	As at 31 December						As at 30 September	
	2017		2018		2019		2020	
	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
USD	5	17,524	5	12,406	5	13,388	5	16,790
EUR	5	(341)	5	2,046	5	1,669	5	3,209
JYP	5	454	5	(13,362)	5	(13,402)	5	12,359
HKD	5	1	5	(1)	5	(177)	5	(1,485)
SEK	5	6	5	156	5	(119)	5	51
INR	5	213	5	139	5	86	5	30

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each Relevant 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 31 December 2017 categorised ratio		
	Fair value at 31 December 2017	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets				
Unlisted equity securities	8,020	–	–	8,020
Monetary fund*	70,820	–	70,820	–

		Fair value measurements as at 31 December 2018 categorised ratio		
	Fair value at 31 December 2018	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets				
Unlisted equity securities	7,408	–	–	7,408
Liabilities				
Forward exchange contracts	1,342	–	1,342	–

		Fair value measurements as at 31 December 2019 categorised ratio		
	Fair value at 31 December 2019	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets				
Monetary fund*	5,757	–	5,757	–

* The short-term investments measured at fair value through profit or loss are monetary fund, denominated in RMB, (i) with total principal of RMB5,700,000 and expected rate of return ranging from 3.80% to 3.85% per annum for the year ended 2019, (ii) with total principal of RMB70,590,000 and expected rates of return ranging from 3.15% to 4.30% per annum for the year ended 31 December 2017. The returns on all of these monetary funds are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due.

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 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 financial assets at the end of the reporting period, taking into account current interest rates which is derived from Industrial and Commercial Bank of China and Agricultural Bank of China.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Unlisted equity securities	Market comparable companies	Discount for lack of marketability

The fair value of unlisted equity securities is determined using the price to book ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2017 and 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB115,000 and RMB106,000, respectively.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Unlisted equity securities:		
At 1 January	8,020	4,226
Changes in fair value recognised in profit or loss during the year	(612)	3,794
At 31 December	7,408	8,020

The gains arising from remeasurement of the unlisted equity securities are presented in the discontinued operation in the combine statement of profit or loss.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017, 2018, 2019 and 30 September 2020.

32 COMMITMENTS

(a) Capital Commitments

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for	160,000	–	35,000	200,000
Contracted for but not provided for	2,448	68,275	20,238	11,382
	162,448	68,275	55,238	211,382

(b) Operating lease Commitments

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	347	1,204	335	14,114

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
Morimatsu Holdings Company Limited	Controlling Shareholder
Morimatsu Industry Company Limited	Parent Company
Shanghai Morimatsu Pressure Vessel Co., Ltd.	Fellow subsidiary (till 30 June 2020)
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	Fellow subsidiary
Shanghai Morimatsu Chemical Equipment Co., Ltd.	Fellow subsidiary (since 30 September 2019)
Shanghai Morimatsu Solar Technology Equipment Co., Ltd.	Fellow subsidiary (since 30 September 2019)
Shanghai Senhe Engineering Investment Co., Ltd.	Fellow subsidiary
Shanghai Morimatsu Process Equipment Engineering Co., Ltd.	Fellow subsidiary
Shanghai Morimatsu Seiki Co., Ltd.	Fellow subsidiary
AMT Company Limited	Fellow subsidiary
Morimatsu Research Institution Company Limited	Fellow subsidiary
TAP Mate Limited	Fellow subsidiary
Morimatsu Houston Corporation	Fellow subsidiary
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
Hirotaka Kawashima 川島宏貴	Members of director and key management personnel

Name of party	Relationship
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 盛曄	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.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	4,248	4,644	5,868	3,649	4,225
Equity compensation benefits	–	–	–	–	7,855
	4,248	4,644	5,868	3,649	12,080

Total remuneration is included in "staff costs" (see Note 7(b)).

(c) Related party transactions

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchase of goods					
AMT Company Limited	2,389	10,906	8,497	4,973	5,756
Morimatsu Houston Corporation	928	890	191	191	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	15,053	20,208	8,989	6,748	2,602
Shanghai Morimatsu Chemical Equipment Co., Ltd.	–	–	12,269	–	216
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	19,354	24,890	20,952	18,905	5,514
Shanghai Morimatsu Solar Technology Equipment Co.,Ltd.	–	–	5,383	–	373
	37,724	56,894	56,281	30,817	14,461

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of goods					
AMT Company Limited	–	12	–	–	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	31,263	9,232	40,856	19,762	1,909
Shanghai Morimatsu Chemical Equipment Co., Ltd.	–	–	42	–	62
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	4,623	2,971	2,853	2,781	8
Shanghai Morimatsu Solar Technology Equipment Co., Ltd.	–	–	239	–	256
Morimatsu Industry Company Limited	2,557	323	1,743	1,743	–
	38,443	12,538	45,733	24,286	2,235
Transfer of property, plant and equipment					
Shanghai Morimatsu Pressure Vessel Co., Ltd.	–	260	570	25	136
Shanghai Morimatsu Chemical Equipment Co., Ltd.	–	–	214	–	–
Shanghai Morimatsu Solar Technology Equipment Co., Ltd.	–	–	31	–	–
	–	260	815	25	136
Purchase of property, plant and equipment					
AMT Company Limited	8	265	277	206	43
Shanghai Morimatsu Pressure Vessel Co., Ltd.	–	3,406	406	148	600
Shanghai Morimatsu Chemical Equipment Co., Ltd	–	–	10,629	–	72
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	–	1,726	94	178	–
Shanghai Morimatsu Solar Technology Equipment Co., Ltd.	–	–	29	–	–
	8	5,397	11,435	532	715

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchase of intangible assets					
Shanghai Morimatsu Pressure Vessel Co., Ltd.	–	27	–	–	–
Shanghai Morimatsu Chemical Equipment Co., Ltd	–	–	715	–	183
Morimatsu Houston Corporation	–	–	–	–	86
	–	27	715	–	269
Rental income					
Shanghai Morimatsu Pressure Vessel Co., Ltd.	20,662	16,866	4,294	4,294	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	3,889	4,867	3,077	3,077	–
Shanghai Senhe Engineering Investment Co., Ltd.	–	82	–	–	–
	24,551	21,815	7,371	7,371	–
Rental expense					
Shanghai Morimatsu Chemical Equipment Co., Ltd.	–	–	11,739	–	37,361
	–	–	11,739	–	37,361
Outsourcing service income					
AMT Company Limited	–	–	–	–	1,594
Shanghai Morimatsu Pressure Vessel Co., Ltd.	26,068	23,576	3,154	3,154	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	3,732	3,856	78	78	–
Morimatsu Industry Company Limited	–	719	2,680	2,647	449
	29,800	28,151	5,912	5,879	2,043

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Outsourcing service expenses					
Morimatsu Houston Corporation	81	80	10,227	–	2,688
Shanghai Morimatsu Pressure Vessel Co., Ltd.	9,658	10,245	1,030	1,030	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	931	2,444	297	297	151
Morimatsu Industry Company Limited	–	6,361	11,735	7,757	18,162
	10,670	19,130	23,289	9,084	21,001
Interest income					
Shanghai Morimatsu Pressure Vessel Co., Ltd.	–	268	–	–	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	–	–	62	62	–
Shanghai Senhe Engineering Investment Co., Ltd.	600	531	225	225	–
	600	799	287	287	–
Interest expense					
AMT Company Limited	31	–	–	–	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	25	–	–	–	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	–	94	–	–	–
TAP Mate Limited	894	879	1,667	1,792	686
Morimatsu Industry Company Limited	1,607	1,398	4,269	3,177	1,611
	2,557	2,371	5,936	4,969	2,297

(d) Related party balances

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to (trade):				
AMT Company Limited	524	734	1,711	651
Morimatsu Industry Company Limited	–	136	1,596	–
Morimatsu Houston Corporation	–	–	1,012	987
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	5,684	10,516	561	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	81,296	85,549	35,996	–
Shanghai Morimatsu Chemical Equipment Co., Ltd.	–	–	38,044	19,778
Shanghai Morimatsu Solar Technology Equipment Co., Ltd.	–	–	4,721	–
	87,504	96,935	83,641	21,416
Trade payables	8,235	17,666	83,641	21,416
Contract liabilities	79,269	79,269	–	–
	87,504	96,935	83,641	21,416
Amounts due to (non-trade):				
Morimatsu Industry Company Limited	33,800	397,355	373,271	30,019
TAP Mate Limited	62,016	126,071	94,917	–
Morimatsu Holdings Company Limited	–	–	–	–
Morimatsu Houston Corporation	–	–	2,025	–
Shanghai Senhe Engineering Investment Co., Ltd.	2,700	–	–	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	17,141	19,074	–	–
Morimatsu Research Institution Company Limited	8,939	–	–	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	–	7,404	–	–
Shanghai Morimatsu Seiki Co.,Ltd.	–	–	35,940	35,940
	124,596	549,904	506,153	65,959
Borrowings from related parties	94,687	518,698	460,181	–
Other payables and accruals	29,909	31,206	45,972	65,959
	124,596	549,904	506,153	65,959

As of the date of this report, the non-trade balances have been fully settled.

	Year ended 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from (trade):				
Morimatsu Industry Company Limited	27,536	12,968	346	617
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	2,386	8,372	15	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	4,142	15,406	375	–
Shanghai Morimatsu Chemical Equipment Co., Ltd.	–	–	14	–
Shanghai Morimatsu Solar Technology Equipment Co., Ltd.	–	–	169	–
	34,064	36,746	919	617
Trade debtors net of loss allowance	29,105	15,176	919	177
Other debtors	4,959	14,709	–	–
Prepayments	–	6,861	–	440
	34,064	36,746	919	617
Amounts due from (non-trade):				
Morimatsu Industry Company Limited	–	–	90	–
Shanghai Senhe Engineering Investment Co., Ltd.	33,011	–	–	–
Shanghai Morimatsu Mixing Technology Engineering Co., Ltd.	2,843	1,080	–	–
Shanghai Morimatsu Pressure Vessel Co., Ltd.	528	384	–	–
Mr Ye Sheng	1,300	1,200	–	–
	37,682	2,664	90	–
Other debtors	3,382	1,464	90	–
Loans to employees	1,300	1,200	–	–
Loans to associate	33,000	–	–	–
	37,682	2,664	90	–

(e) Guarantees provided by related parties

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Morimatsu Industry Company Limited	448,191	547,375	476,206	267,260
– Bank loans	138,962	–	8,000	267,260
– Bills payable	–	–	17,000	–
– Letter of guarantee	287,425	504,693	444,822	–
– Letter of credit	21,804	42,682	6,384	–

The above guarantees were released in December 2020.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of this report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contract	1 January 2021
Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2022
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

35 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

(a) Reorganization

Pursuant to the equity transfer agreement dated 22 October 2020, Morimatsu Industry transferred the entire equity interest in Morimatsu China to the Company at a consideration which was equivalent to the then registered capital of Morimatsu China. The consideration was satisfied by the Company through allotment and issue of 100,000 Shares as fully paid to Morimatsu Industry. Upon completion of the said transfer on 11 November 2020 and as at the date of this report, Morimatsu China was wholly owned by the Company.

(b) Impact of the coronavirus on the business operation

The outbreak of coronavirus epidemic (COVID-19) since January 2020 has brought about additional uncertainties in the Group's operating environment. As far as the Group's businesses are concerned, the COVID-19 epidemic caused postponement in resuming the Group's production and operation after the lunar new year holiday in the mainland China for about two weeks. The Group has taken contingency measures to mitigate the impact of the COVID-19. The Group has closely monitored the collection and inventory status to strengthen working capital management and ensure the sustainability of the Group's assets and operations. At the same time, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all employees in different regions. The Group has been able to gradually resume commencement of production since middle of February 2020 and resumed full production by the end of February.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and any of its subsidiaries in respect of any period subsequent to 30 September 2020.

The following information does not form part of the Accountants' Report from KPMG,Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out below to illustrate the effect of the Global Offering on the combined net tangible assets attributable to our equity Shareholders of the Company as of 30 September 2020 as if the Global Offering and Bonus Issue had taken place on that date.

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only, and because of this hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to the equity Shareholders of the Company had the Global Offering and Bonus Issue been completed on 30 September 2020 or at any future dates.

	Audited combined net tangible assets attributable to the equity Shareholders of the Company as of 30 September 2020[1]	**Estimated net proceeds from the Global Offering[2]**	**Unaudited pro forma adjusted combined net tangible assets attributable to the equity Shareholders of the Company[3]**	**Unaudited pro forma adjusted combined net tangible assets to the equity Shareholders of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB[4]*	*HK$[5]*
Based on an Offer Price of HK$2.48 per Share	881,503	487,315	1,368,818	1.37	1.62
Based on an Offer Price of HK$3.92 per Share	881,503	790,709	1,672,212	1.67	1.98

1 The combined net tangible assets attributable to the equity shareholders of the Company as of 30 September 2020 is calculated based on the audited combined net assets attributable to the equity shareholders of the Company of RMB881,503,000 as of 30 September 2020, extracted from the Accountants' Report set out in Appendix I to the Prospectus. The net tangible asset is calculated based on the total equity attributable to the equity shareholders of the Company amounted to RMB910,965,000 as at 30 September 2020 and deduct the intangible assets of RMB29,462,000.

2 The estimated net proceeds from the Global offering are based on the Offer Prices of HK$2.48 and HK$3.92 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of RMB20.2 million and RMB15.0 million, respectively (excluding listing expenses of approximately RMB25.1 million which have been accounted for prior to 30 September 2020), and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

3 No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2020.

4 The unaudited pro forma adjusted combined net tangible assets attributable to the equity Shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,000,000,000 shares in issue assuming that the Bonus Issue and the Global Offering had been completed on 30 September 2020 by taking no account of any shares which may be issued upon the exercise of the Over-allotment Option.

5 The estimated net proceeds from the Global Offering and unaudited pro forma adjusted combined net tangible assets to the equity Shareholders of the Company per Share are converted into Renminbi at a rate of HK$1.00 =RMB0.84276. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF MORIMATSU INTERNATIONAL HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Morimatsu International Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 15 December 2020 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 September 2020 as if the Global Offering had taken place at 30 September 2020. As part of this process, information about the Group's financial position as at 30 September 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
26 February 2021

The estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020 is set out in "Financial information – Profit estimate for the year ended 31 December 2020" in this prospectus.

(A) BASES

Our Directors have prepared the estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020 based on the audited combined results of our Group for the nine months ended 30 September 2020 as set out in the Appendix I to this prospectus and the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 December 2020. The estimate has been prepared on the basis consistent in all material aspects with the accounting policies currently adopted by our Group as set out in Appendix I to this prospectus.

(B) PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2020

Estimated consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020 . . . . . Not less than RMB270.0 million (equivalent to approximately HK$320.4 million)

(C) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in relation to the profit estimate for the year ended 31 December 2020.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 February 2021

The Directors
Morimatsu International Holdings Company Limited
Sinolink Securities (Hong Kong) Company Limited

Dear Sirs,

Morimatsu International Holdings Company Limited ("the Company")

Profit Estimate for Year Ended 31 December 2020

We refer to the estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2020 ("the Profit Estimate") set forth in the section headed "Appendix III — Profit Estimate" in the prospectus of the Company dated 26 February 2021 ("the Prospectus").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as "the Group") for the nine months ended 30 September 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2020.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 26 February 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

(D) LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for the inclusion in this prospectus, received from Sinolink Securities (Hong Kong) Company Limited, the Sole Sponsor, in relation to our Group's profit estimate for the year ended 31 December 2020.

The Board of Directors
Morimatsu International Holdings Company Limited
No. 29 Jinwen Road
Zhuqiao Town
Pudong New District
Shanghai
The PRC

26 February 2021

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to equity shareholders of Morimatsu International Holdings Company Limited (the "**Company**", together with its subsidiaries, hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2020 (the "**Profit Estimate**") as set out in the prospectus issued by the Company dated 26 February 2021 (the "**Prospectus**").

The Profit Estimate, for which the Directors are solely responsible, has been prepared by the Directors, based on the audited combined results for the nine months ended 30 September 2020 and the unaudited consolidated results based on the unaudited management accounts of the Group for the three months ended 31 December 2020.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated 26 February 2021 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Sinolink Securities (Hong Kong) Company Limited
LU Yi
Managing Director

CHEN Wei
Executive Director

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Prospectus received from Cushman & Wakefield Limited, an independent Property valuer, in connection with its opinion of market value in existing state of the properties in the PRC as at 31 December 2020.

27/F, One Island East,
Taikoo Place,
18 Westlands Road,
Quarry Bay,
Hong Kong

26 February 2021

The Board of Directors
Morimatsu International Holdings Company Limited
No. 29 Jinwen Road
Zhuqiao Town
Pudong New District
Shanghai
The PRC

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with the instructions from Morimatsu International Holdings Company Limited (the "**Company**") for us to prepare market valuation of the Properties held by the Company or its subsidiaries (the "**Group**") in the People's Republic of China (the "**PRC**"); we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value in existing state of the Properties as at 31 December 2020 (the "**valuation date**").

Definition of Market Value

Our valuation of the Properties represents its Market Value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Properties held in the PRC, with reference to the PRC Legal opinion of the legal adviser, Jingtian & Gongcheng (競天公誠律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its respective specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the PRC legal opinion of the Company's legal adviser, dated 26 February 2021, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuations on the basis that the owners have enforceable title to the Properties and has free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

In respect of the Properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group, are set out in the notes in the valuation report.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing the Properties No. 1 and 2, which are held by the Group for owner-occupation in the PRC, in the absence of relevant market data to arrive at the market value of the Properties by means of market-based evidence, we have valued the Properties by Depreciated Replacement Cost Approach which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market values by Depreciated Replacement Cost Approach only apply to the whole of the Properties as a unique interest, and no piecemeal transaction of the Properties are assumed.

In valuing the Property No. 3, which is held by the Group for owner-occupation in the PRC, we have adopted Market Comparison Method assuming sale with the benefit of vacant possession and by making reference to comparable sales evidence as available on the market.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020.

Source of Information

In the course of our valuations, we have relied to a considerable extent on the information given by the Group in respect of the Property in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, development scheme, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Group with copies of documents in relation to the current title to the Properties. However, we have not been able to conduct searches to verify the ownership of the Property or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in the PRC and we have therefore relied on the advice given by the PRC Legal Advisers and the Group.

Site Inspection

Our Shanghai Office valuer, Rick Sun (with 15 years' of valuation experience in the PRC) has inspected the exterior and, wherever possible, the interior of the Properties in November 2020. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No test was carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

We attach herewith the summary of valuations and valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 28 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 December 2020 *(RMB)*	Interest attributable to the Group *(%)*	Market value in existing state as at 31 December 2020 attributable to the Group *(RMB)*
Properties held by the Group for owner occupation in the PRC				
1.	An industrial complex, No. 9 Hongbeisha Road, Changjiang Town, Rugao City, Jiangsu Province, the PRC	678,000,000	100	678,000,000
2.	Phase III of industrial complex, Hongbeisha, Changjiang Town, Rugao City, Jiangsu Province, the PRC	257,000,000	100	257,000,000
3.	10 residential units, 8 car parking spaces and 50 bicycle parking spaces of Sensong Garden, No. 59 Jinger Road, Changjiang Town, Rugao City, Jiangsu Province, the PRC	6,000,000	100	6,000,000
	Total	**941,000,000**		**941,000,000**

VALUATION REPORT

Properties held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
1.	An industrial complex, No. 9 Hongbeisha Road, Changjiang Town, Rugao City, Jiangsu Province, the PRC (中國江蘇省如皋市長江鎮泓北沙路9號廠房)	The Property is an industrial development with several buildings and structures erected thereon a parcel of industrial land with a total site area of 418,268 sq m. According to 11 Certificates of Real Estate Ownership provided, the Property comprises 27 industrial buildings with a total gross floor area of 91,228.87 sq m completed in 2020. According to two Planning Permits for Construction Works provided, the Property also comprises two under construction industrial buildings with total gross floor area of 3,268.50 sq m, scheduled for completion in 2021. The Property is located in Rugao Harbour District of Changjiang Town of Rugao City. Developments nearby are mainly industrial and factory in nature. According to the information provided by the Group, the Property is for industrial uses. The land use rights of the Property have been granted for terms due to expire on 28 March 2059, 28 April 2060 and 28 October 2058 for industrial use respectively.	As at the Valuation Date, the Property was operated by the Group as a factory.	RMB678,000,000 (RENMINBI SIX HUNDRED SEVENTY EIGHT MILLION) (100% interest attributable to the Group: RMB678,000,000)

Notes:

(1) According to Certificate of Real Estate Ownership issued by the Nature Resource and Planning Bureau of Rugao City on 9 December 2020, the land use rights of the Property comprising a parcel of land with a total site area of 243,687 sq m have been vested in Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司) for terms due to expire on 28 March 2059 for industrial use, and the building ownership of the Property with a total gross floor area of 68,494.31 sq m has been vested in Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司) ("**Morimatsu Heavy Industry**"), an indirect wholly-owned subsidiary of the Company, for industrial use with details as follows:

Certificate No.	Block No.	Usage	Gross Floor Area *(sq m)*
(2020) 0024651	1	Workshop	3,062.27
	2	Security room No. 1	61.47
	3	Security room No. 2	76.13
	4	Power station room 1	290.94
	5	Fire pump room	96.00
	6	Main workshop	42,470.25
	7	Office building	2,757.28
	8	Canteen	2,953.43
	9	Utility station room 1	2,693.02
	10	Power station room 2	144.68
	11	Dangerous goods store	254.34
	12	Neutralisation water station	56.20
	13	Slide process workshop	1,823.16
	14	Flaw detection room	1,527.06
	15	Toilet 1	92.89
	16	Toilet 2	70.02
	17	Phase II office building	10,065.17
Total			**68,494.31**

(2) According to 10 Certificates of Real Estate Ownership issued by the Housing and Urban Rural Construction Bureau of Rugao City, the building ownership of the Property with a total gross floor area of 22,734.56 sq m has been vested in Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司) for industrial use with details as follows:

Certificate No.	Issue Date	Block No.	Usage	Gross Floor Area *(sq m)*
175860	19 December 2014	13	Power substation	80.90
178954	4 March 2015	6	Security room No. 3	49.60
178955	4 March 2015	4	Research and development building	8,217.71
178956	4 March 2015	3	Security room No. 4	95.83
178957	4 March 2015	1	Power station room	88.30
178958	4 March 2015	2	Fire pump room	31.08
178959	4 March 2015	7	Management building	1,858.66
178960	4 March 2015	5	Power substation 10KV	64.50
178961	4 March 2015	8	Workshop No. 10	11,590.48
190076	13 October 2015	16	Power substation	657.50
Total				**22,734.56**

(3) According to Certificate of State-owned Land Use Rights No. (2015) 8240100037 issued by Rugao Municipal Government, the land use rights of the Property comprising a parcel of land with a total site area of 128,691 sq m have been vested in Morimatsu Heavy Industry for terms due to expire on 28 April 2060 for industrial use.

(4) According to Certificate of State-owned Land Use Rights No. (2015) 8240100038 issued by Rugao Municipal Government, the land use rights of the Property comprising a parcel of land with a total site area of 17,372 sq m have been vested in Morimatsu Heavy Industry for terms due to expire on 28 October 2058 for industrial use.

(5) According to Certificate of State-owned Land Use Rights No. (2015) 8240100039 issued by Rugao Municipal Government, the land use rights of the Property comprising a parcel of land with a total site area of 28,518 sq m have been vested in Morimatsu Heavy Industry for terms due to expire on 28 October 2058 for industrial use.

(6) According to Planning Permit for Construction Works No. 320682202000005 issued by Changjiang Town Municipal Government of Rugao on 23 March 2020, the construction works of an industrial building with a total gross floor area of approximately 2,973.50 sq m are in compliance with the requirement of urban planning and were permitted to be developed.

(7) According to Planning Permit for Construction Works No. 320682201900043 issued by Changjiang Town Municipal Government of Rugao on 4 December 2019, the construction works of an industrial building with a total gross floor area of approximately 295 sq m are in compliance with the requirement of urban planning and were permitted to be developed.

(8) According to Permit for Commencement of Construction Works No. 320682202005220201 issued by Changjiang Town Municipal Government of Rugao on 22 May 2020, the construction works of an industrial building with a total gross floor area of approximately 2,973.50 sq m, are in compliance with the requirements for the works commencement and have been permitted by relevant authorities.

(9) According to the cost information provided of the under construction industrial building, the expended cost is RMB24,204,000. In the course of our valuation, we have taken into account the said costs.

(10) According to Business Licence No. 913206826748521544 dated 15 October 2018, Morimatsu Heavy Industry was established on 13 May 2008 with a registered capital of USD102,600,000 for an operating period from 13 May 2008 to 8 May 2058.

(11) According to the legal opinion on the Property prepared by PRC Legal Advisers which contains, inter alia, the following information:

(a) Morimatsu Heavy Industry is the owner of the land use rights, and is recognised and protected by Chinese laws; The registered land use rights can be legally occupied, used, leased, transferred, mortgaged or otherwise disposed of within the prescribed land use rights term; and

(b) Morimatsu Heavy Industry is the owner of the real estate and is recognised and protected by Chinese law; Morimatsu Heavy Industry can possess, use, lease, transfer or otherwise dispose of the ownership of such real estate in accordance with the law.

(12) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the legal opinion are as follows:

Certificate of Real Estate Ownership	Yes
Certificate of State-owned Land Use Rights	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION REPORT

Properties held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
2.	Phase III of industrial complex, Hongbeisha, Changjiang Town, Rugao City, Jiangsu Province, the PRC (中國江蘇省如皋市長江鎮泓北沙三期廠房項目)	The Property is a completed industrial development with several buildings and structures erected thereon a parcel of industrial land with a total site area of 196,572 sq m. According to Certificate of Real Estate Ownership provided by the Company, the Property comprises 8 industrial buildings with a total gross floor area of 23,240.13 sq m completed in 2020. According to Planning Permit for Construction Works provided, the Property also comprises two under construction industrial buildings with total gross floor area of 3,880 sq m, scheduled for completion in 2021. The Property is located in Rugao Harbour District of Changjiang Town of Rugao City. Developments nearby are mainly industrial and factory in nature. According to the information provided by the Group, the Property is for industrial uses. The land use rights of the Property have been granted for terms due to expire on 22 April 2065 for industrial use.	As at the Valuation Date, the Property was operated by the Group as a factory.	RMB257,000,000 (RENMINBI TWO HUNDRED FIFTY SEVEN MILLION) (100% interest attributable to the Group: RMB257,000,000)

Notes:

(1) According to Certificate of Real Estate Ownership issued by the Nature Resource and Planning Bureau of Rugao City on 30 October 2020, the land use rights of the Property comprising a parcel of land with a total site area of 196,572 sq m have been vested in Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司) for terms due to expire on 22 April 2065 for industrial use, and the building ownership of the Property with a total gross floor area of 23,240.13 sq m has been vested in Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司) ("**Morimatsu Heavy Industry**"), an indirect wholly-owned subsidiary of the Company, for industrial use with details as follows:

Certificate No.	Block No.	Usage	Gross Floor Area *(sq m)*
(2020) 0020960	1	Machining workshop	21,768.49
	2	Dangerous goods store	150.45
	3	Dangerous discarded goods store	80.50
	4	Power station room	256.13
	5	Acetylene confluence discharge room	33.76
	6	Material weld store	721.48
	7	Toilet	152.63
	8	Security room	76.69
Total			**23,240.13**

(2) According to Planning Permit for Construction Works No. 320682202000038 issued by Changjiang Town Municipal Government of Rugao on 30 September 2020, the construction works of two industrial buildings with a total gross floor area of approximately 3,880 sq m are in compliance with the requirement of urban planning and were permitted to be developed.

(3) According to Permit for Commencement of Construction Works No. 320682202011180101 issued by Changjiang Town Municipal Government of Rugao on 18 November 2020, the construction works of two industrial buildings with a total gross floor area of approximately 3,880 sq m, are in compliance with the requirements for the works commencement and have been permitted by relevant authorities.

(4) According to the cost information provided of the under construction industrial building, the expended cost is RMB16,626,000, the outstanding cost to complete it is RMB32,945,000. In the course of our valuation, we have taken into account the said costs.

(5) According to Business Licence No. 913206826748521544 dated 15 October 2018, Morimatsu Heavy Industry was established on 13 May 2008 with a registered capital of USD102,600,000 for an operating period from 13 May 2008 to 8 May 2058.

(6) According to the legal opinion on the Property prepared by PRC Legal Advisers which contains, inter alia, the following information:

(a) Morimatsu Heavy Industry is the owner of the land use rights, and is recognised and protected by Chinese laws; The registered land use rights can be legally occupied, used, leased, transferred, mortgaged or otherwise disposed of within the prescribed land use rights term; and

(b) Morimatsu Heavy Industry has obtained the necessary approvals for the construction of the above-mentioned projects from the relevant competent authorities of the Chinese government according to the progress of the project. Construction is carried out within the approved scope, and there is no situation of being punished by the competent authority for violating the relevant laws and regulations of construction projects.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the legal opinion are as follows:

Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION REPORT

Properties held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
3.	10 residential units, 8 car parking spaces and 50 bicycle parking spaces of Sensong Garden, No. 59 Jinger Road, Changjiang Town, Rugao City, Jiangsu Province, the PRC (中國江蘇省如皋市長江鎮經二路59號森松花園10個住宅單位8個車庫及50個自行車庫)	Sensong Garden is a completed residential development with residential buildings, car parking spaces and bicycle parking space completed in 2013. According to 68 Certificates of Real Estate Ownership provided, the Property comprises 10 residential units, 8 car parking spaces and 50 bicycle parking spaces with a total gross floor area of 1,590.59 sq m. The Property is located in Changjiang Town of Rugao City. Developments nearby are mainly residential community in nature. According to the information provided by the Group, the Property is for residential uses. The land use rights of the Property have been granted for terms due to expire on 8 January 2079 for residential use.	As at the Valuation Date, the Property was occupied by the Group as dormitories.	RMB6,000,000 (RENMINBI SIX MILLION) (100% interest attributable to the Group: RMB6,000,000)

Notes:

(1) According to 68 Certificates of Real Estate Ownership issued by the Nature Resource Bureau of Rugao City, the building ownership of the Property with a total gross floor area of 1,590.59 sq m has been vested in Morimatsu Heavy Industry with details as follows:

Certificate No.	Block No.	Usage	Gross Floor Area *(sq m)*
(2020)0019652	Unit 603, Block 4	Residential	82.22
(2020)0019653	Unit 604, Block 4	Residential	109.77
(2020)0019654	Unit 703, Block 4	Residential	82.22
(2020)0019655	Unit 704, Block 4	Residential	109.77
(2020)0019656	Unit 803, Block 4	Residential	82.22
(2020)0019657	Unit 804, Block 4	Residential	109.77
(2020)0019658	Unit 901, Block 4	Residential	109.89
(2020)0019659	Unit 902, Block 4	Residential	85.54

Certificate No.	Block No.	Usage	Gross Floor Area (sq m)
(2020)0019660	Unit 903, Block 4	Residential	82.22
(2020)0019661	Unit 904, Block 4	Residential	109.77
(2020)0001228	No. 34, Block 2	Car parking space	7.45
(2020)0001227	No. 28, Block 2	Car parking space	17.16
(2020)0001226	No. 25, Block 2	Car parking space	16.94
(2020)0001224	No. 24, Block 2	Car parking space	14.87
(2020)0001221	No. 18, Block 2	Car parking space	7.57
(2020)0001218	No. 13, Block 2	Car parking space	6.99
(2020)0001217	No. 11, Block 2	Car parking space	7.57
(2020)0001223	No. 21, Block 2	Car parking space	25.16
(2020)0001255	No. 90, Block 3	Bicycle parking space	7.15
(2020)0001252	No. 84, Block 3	Bicycle parking space	7.15
(2020)0001253	No. 89, Block 3	Bicycle parking space	9.39
(2020)0001251	No. 83, Block 3	Bicycle parking space	10.78
(2020)0001249	No. 81, Block 3	Bicycle parking space	7.15
(2020)0001248	No. 79, Block 3	Bicycle parking space	9.39
(2020)0001245	No. 63, Block 3	Bicycle parking space	16.26
(2020)0001247	No. 70, Block 3	Bicycle parking space	14.83
(2020)0001244	No. 60, Block 3	Bicycle parking space	24.14
(2020)0001242	No. 58, Block 3	Bicycle parking space	16.26
(2020)0001240	No. 57, Block 3	Bicycle parking space	14.27
(2020)0001239	No. 54, Block 3	Bicycle parking space	24.14
(2020)0001238	No. 52, Block 3	Bicycle parking space	14.27
(2020)0001236	No. 51, Block 3	Bicycle parking space	16.26
(2020)0001235	No. 45, Block 3	Bicycle parking space	6.71
(2020)0001234	No. 38, Block 3	Bicycle parking space	6.71
(2020)0001233	No. 37, Block 3	Bicycle parking space	6.71
(2020)0001232	No. 34, Block 3	Bicycle parking space	7.26
(2020)0001230	No. 28, Block 3	Bicycle parking space	6.71
(2020)0001231	No. 30, Block 3	Bicycle parking space	6.71
(2020)0001229	No. 27, Block 3	Bicycle parking space	6.71
(2020)0001265	No. 41, Block 2	Bicycle parking space	14.55
(2020)0001264	No. 27, Block 2	Bicycle parking space	16.19
(2020)0001263	No. 12, Block 2	Bicycle parking space	6.68
(2020)0001262	No. 1, Block 2	Bicycle parking space	6.68
(2020)0001261	No. 9, Block 2	Bicycle parking space	7.24
(2020)0001260	No. 108, Block 3	Bicycle parking space	12.55
(2020)0001259	No. 107, Block 3	Bicycle parking space	16.47
(2020)0001258	No. 97, Block 3	Bicycle parking space	14.6
(2020)0001257	No. 94, Block 3	Bicycle parking space	7.15
(2020)0001256	No. 91, Block 3	Bicycle parking space	7.15
(2020)0019664	No. 13, Block 4	Bicycle parking space	6.68
(2020)0019694	No. 14, Block 4	Bicycle parking space	6.68
(2020)0019689	No. 16, Block 4	Bicycle parking space	7.24
(2020)0019690	No. 17, Block 4	Bicycle parking space	7.24
(2020)0019691	No. 18, Block 4	Bicycle parking space	7.24
(2020)0019692	No. 19, Block 4	Bicycle parking space	6.68
(2020)0019693	No. 20, Block 4	Bicycle parking space	6.68
(2020)0019695	No. 21, Block 4	Bicycle parking space	6.68
(2020)0019696	No. 22, Block 4	Bicycle parking space	6.68
(2020)0019697	No. 24, Block 4	Bicycle parking space	7.24
(2020)0019698	No. 33, Block 4	Bicycle parking space	14.21

Certificate No.	Block No.	Usage	Gross Floor Area *(sq m)*
(2020)0019699	No. 34, Block 4	Bicycle parking space	16.19
(2020)0019700	No. 42, Block 4	Bicycle parking space	16.4
(2020)0019701	No. 45, Block 4	Bicycle parking space	7.12
(2020)0019702	No. 48, Block 4	Bicycle parking space	7.12
(2020)0019703	No. 49, Block 4	Bicycle parking space	7.12
(2020)0019704	No. 51, Block 4	Bicycle parking space	16.4
(2020)0019705	No. 52, Block 4	Bicycle parking space	14.55
(2020)0019706	No. 54, Block 4	Bicycle parking space	7.12
Total			**1,590.59**

(2) According to Business Licence No. 913206826748521544 dated 15 October 2018, Morimatsu Heavy Industry was established on 13 May 2008 with a registered capital of USD102,600,000 for an operating period from 13 May 2008 to 8 May 2058.

(3) According to the legal opinion on the Property prepared by PRC Legal Advisers which contains, inter alia, the following information:

(a) Morimatsu Heavy Industry is the owner of the land use rights, and is recognised and protected by Chinese laws; The registered land use rights can be legally occupied, used, leased, transferred, mortgaged or otherwise disposed of within the prescribed land use rights term; and

(b) Morimatsu Heavy Industry is the owner of the real estate and is recognised and protected by Chinese law; Morimatsu Heavy Industry can possess, use, lease, transfer or otherwise dispose of the ownership of such real estate in accordance with the law.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the legal opinion are as follows:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

This appendix contains a summary of the Articles of Association of our Company. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, a copy of the Articles of Association is available for inspection.

The Articles of Association were adopted on by our then sole Shareholder on 10 February 2021 and will become effective on the date of registration of this prospectus with the Registrar of Companies in Hong Kong. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

Our Company may from time to time alter its share capital as permitted by section 170 of the Companies Ordinance. As permitted by the Companies Ordinance or any other applicable ordinance, statute, act or law, our Company may from time to time buy back its own shares or to give directly or indirectly, by means of loan, guarantee, provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company. Should our Company buy back our own shares, the share buy-back shall not be required to be made ratably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such share buy-back or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time.

Subject to the provisions of the Companies Ordinance, our Company may from time to time by ordinary resolution:

(a) consolidate all of its shares into smaller number of shares than its existing number;

(b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, or have been forfeited in accordance with the Articles of Association; and

(c) sub-divide its shares into larger number of shares than its existing number subject nevertheless to the provisions of the Companies Ordinance, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred

rights or be subject to any restrictions as compared with the others as our Company has power to attach to the new shares.

Our Company may by special resolution reduce its share capital subject to any conditions prescribed by law.

MODIFICATION OF RIGHTS

Without prejudice to any special rights conferred on the holders of any existing shares, the shares in the original or any increased capital of our Company may, as permitted by the Companies Ordinance, be divided into different classes of shares as our Company may from time to time determine by a special resolution in a general meeting.

Any special rights (unless otherwise provided by the terms of issue) attached to the shares or any class of the shares (if the capital is divided into different classes of shares) may, subject to the provisions of section 180 of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of the holders of the shares or shares of that class (if the capital is divided into different classes of shares) or with the sanction of a special resolution passed at a general meeting of the holders of the shares or at a separate general meeting of the holders of the shares of that class (if the capital is divided into different classes of shares). To every such separate general meeting the provisions of the Articles of Association relating to general meeting shall *mutatis mutandis* apply, but so that the necessary quorum shall be not less than two persons holding or representing by proxy one-third of the total voting rights of holders of shares of that class, and at an adjourned meeting one person holding shares of that class or his proxy, and that any holder of shares of the class present in person or by proxy may demand a poll.

TRANSFERS OF SHARES

The instrument of transfer of any share shall be in writing and in any usual form or in any other form which our Directors approve including the standard form of transfer as prescribed by the Stock Exchange and shall be executed by or on behalf of the transferor and by or on behalf of the transferee.

The instrument of transfer by or on behalf of the transferor and by or on behalf of the transferee, or shall be executed with a manual signature or machine imprinted signature in accordance with the Articles of Association. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Our Board may, in its absolute discretion without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists. Our Board may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

Our Board may also decline to recognise any instrument of transfer unless:

(a) a fee of such amount of not more than the maximum amount as may from time to time be permitted under the rules prescribed by the Stock Exchange or such lesser sum as our Board may from time to time require is paid to our Company in respect of such instrument of transfer;

(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer;

(c) the instrument of transfer is in respect of only one class of share;

(d) the shares concerned are free of any lien in favour of our Company;

(e) the instrument of transfer is properly stamped; and

(f) the shares concerned are fully paid up.

If our Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, our Board must within 28 days after receiving the request send the statement of the reasons or register the transfer.

No transfer of share (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.

GENERAL MEETINGS

Our Company shall hold annual general meetings within such period as required by the Companies Ordinance. Subject to the Articles of Association, the annual general meeting shall be convened by our Board to be held at such time and place as it thinks fit. General meetings include other meetings of shareholders which are not annual general meetings.

Our Board may, whenever it thinks fit, convene a general meeting. If our Directors are required to call a general meeting under section 566 of the Companies Ordinance, they must call it in accordance with section 567 of the Companies Ordinance. If our Directors do not call a general meeting in accordance with section 567 of the Companies Ordinance, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting in accordance with section 568 of the Companies Ordinance.

NOTICE OF GENERAL MEETINGS

An annual general meeting shall be called by at least 21 clear days' notice in writing, and all other general meetings of our Company shall be called by at least 14 clear days' notice in writing. The notice shall specify the place (if the meeting is held at two or more places, the principal place of the meeting and other place(s) of meeting), the day and the hour of meeting, and shall be given, in manner hereinafter mentioned or in such other manner (if any) as may be prescribed by our Company in general meeting, to such persons as are entitled to receive such notices from our Company under the Articles of Association; however, subject to the provisions of the Companies Ordinance, a meeting of our Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles of Association, be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and

(b) in the case of any other general meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all shareholders.

In the case of a meeting convened for passing a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. In the case of an annual general meeting, the notice shall also specify the meeting as such.

The accidental omission to give any notice or to send any instrument of proxy to, or the non-receipt of any notice or any instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

VOTING AT GENERAL MEETINGS

Subject to the rules prescribed by the Stock Exchange from time to time, any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. On any resolution where a vote is not required under the Companies Ordinance, the Listing Rules, the Articles of Association or such other laws or regulations as applicable to our Company, if any, to be held on a poll, a poll may be demanded before or on the declaration of the result of the show of hands:

(a) by the chairman of the meeting (if the chairman, before or on the declaration of the result on a show of hands, knows from the proxies received by our Company that the result on a show of hands will be different from that on a poll, the chairman must demand a poll); or

(b) by at least three shareholders present in person or by proxy for the time being entitled to vote at the meeting; or

(c) by any shareholder(s) present in person or by proxy and representing not less than 5% of the total voting rights of all the shareholders having the right to attend and vote at the meeting; or

(d) by any shareholder(s) present in person or by proxy having the right to attend and vote at the meeting and representing one-tenth or more of the total amount of capital that have been paid up of all shareholders having the right to attend and vote at the meeting.

Subject to any special rights, privileges or restrictions as to voting for the time attached to any class or classes of shares (if any), at any general meeting on a show of hands, every shareholder who is present in person or by proxy or by representative duly authorised under section 606 of the Companies Ordinance shall have one vote. On a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Any corporation which is a shareholder of our Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any general meeting or meeting of the holders of shares of any class of our Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual shareholder.

If a clearing house (or its nominee(s)) is a shareholder of our Company, it may authorise or appoint such person(s) as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of our Company or at any general meeting or meeting of the holders of shares of any class of our Company, provided that, if more than one person is so authorised or appointed, the authorisation or instrument of proxy shall specify the number and class of shares in respect of which each such person is so authorised or appointed. A person so authorised or appointed shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) could exercise as if such person were an individual shareholder including, where applicable, the right to vote individually on a show of hands notwithstanding any contrary provisions contained in the Articles of Association.

APPOINTMENT, ROTATION AND REMOVAL OF DIRECTORS

Our Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to our Board. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at an annual general meeting. Our Company may by ordinary resolution elect any person to be a Director.

At each annual general meeting, one-third of our Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors to be determined by our Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office. Subject to the provisions in relation to rotation and retirement of directors under the Listing Rules, each Director shall retire by rotation every three years at the annual general meeting. Our Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. Our Company at any general meeting at which any Directors retire in manner aforesaid may fill the vacated office by electing a like number of persons to be Directors.

Notwithstanding the Articles of Association or any agreements entered into between our Company and our Directors may provide otherwise, a Director shall vacate his office even before the expiration of his term:

(a) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(b) if he becomes a lunatic or of unsound mind or a patient for the purpose of any statute relating to mental health and our Directors resolve that his office be vacated;

(c) if he absents himself from the meetings of our Board during a continuous period of 30 days, without special leave of absence from our Board, and his alternate Director (if any) shall not during such period have attended in his stead, and our Board passes a resolution that he has by reason of such absence vacated his office;

(d) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or he becomes prohibited from being a Director by laws;

(e) if by notice in writing delivered to our Company at its registered office that he resigns his office;

(f) in the case of a Director who holds any executive office, his appointment as such is terminated or expires and our Directors resolve that his office be vacated;

(g) if he is convicted of an indictable offence;

(h) if he shall be removed from office by notice in writing served upon him signed by all his co-Directors; or

(i) if he shall be removed from office by an ordinary resolution of our Company, provided that the Director shall be entitled to the rights to protest against the removal pursuant to the Companies Ordinance, including the right to be heard on the resolution at the general meeting at which the resolution relating to his removal is voted on.

QUALIFICATION OF DIRECTORS

A Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meeting or meeting of the holders of shares of any class of our Company.

BORROWING POWERS

Our Board may from time to time at its discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum(s) of money for our Company and to mortgage or charge our Company's undertaking, property and uncalled capital or any part thereof.

DIRECTORS' REMUNERATION AND EXPENSES

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Directors may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees.

Our Directors shall also be entitled to be reimbursed all travelling, hotel accommodation and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Board may grant special remuneration to any Director who, at the request of our Company, shall perform any special or extra services to our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged.

DIRECTORS' INTERESTS

Subject to the Companies Ordinance and the Articles of Association, in the case where a Director or an intending Director entered into a contract with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other mater whatsoever, such contract or arrangement shall not be void as a result of his appointment as a Director nor shall any Director so contracting be liable to account to our Company or the shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of fiduciary relationship thereby established.

A Director shall not vote or be counted in the quorum on any resolution of our Board concerning his own appointment as the holder of any office with our Company or any other company in which our Company is interested (including the variation of the terms or the termination thereof).

A Director or any of his connected entities who is in any way, whether directly or indirectly, interested in a transaction, contract or arrangement (or a proposed transaction, contract or arrangement) with our Company that is significant in relation to our Company's business shall declare the nature and extent of his interest (or the connected entity's interest, as the case may be) at the meeting of our Board at which the question of entering into the transaction, contract or arrangement is first taken into consideration, or in any other case by notice in writing and sent to other Directors, or by general notice sent to our Board or our Company, in each case in accordance with the Companies Ordinance.

Subject to the Listing Rules and save as otherwise provided by the Articles of Association, a Director and his alternate shall not vote (nor be counted in the quorum) on any resolution of our Board approving any transaction, contract or arrangement in which he or any of his close associates has directly or indirectly, material interests (other than an interest in shares, debentures or other securities of, or otherwise in or through, our Company), but this prohibition shall not apply to any of the following matters namely:

(a) any transaction, contract or arrangement for the giving by our Company to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(b) any transaction, contract or arrangement for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether solely or jointly under a guarantee or indemnity or by giving of security;

(c) any transaction, contract or arrangement concerning an offer of the shares or debentures or other securities of or by our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder of that company, or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the shares of any class of such company or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries, including:

    (i) the adoption, modification or operation of any employee's share scheme or any share incentive or share option scheme of our Company or its subsidiaries under which the Director or his close associate(s) may benefit; or

    (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme of our Company or its subsidiaries, which relates to the Director or his close associate(s) and employees of our Company or any of its subsidiaries and does not accord to any Director or his close associate(s) as such any privilege or advantage not generally accorded to persons to whom such arrangement relates; and

(f) any contract, transaction or arrangement in which the Director or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his or their interest in shares or debentures or other securities of our Company.

Where a company in which a Director and any of his close associates in aggregate own 5% or more (within the meaning as described above) is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

As permitted by the Companies Ordinance and the Listing Rules, in respect of any transaction, contract or arrangement between our Company and its connected person(s) (as defined in the Listing Rules), where a Director or his close associate(s) only holds office with our Company and/or any of its subsidiaries and does not have any other relationship with such connected person(s), then the Director shall not been deemed to interested in such transaction, contract or arrangement by virtue only of the relevant office.

DIVIDENDS

Our Company may by ordinary resolutions declare dividends in any currency, but no dividends shall exceed the amount recommended by our Board. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

Our Board may from time to time pay to the shareholders such interim dividends as appear to our Board to be in the interest of our Company and, in particular if at any time the capital of our Company is divided into different classes, our Board may pay such interim dividends in respect of those shares in the capital of our Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. Provided that our Board acts *bona fide*, our Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. Our Board may also pay half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment.

With the sanction of an ordinary resolution or on the recommendation of our Board, the payment of dividend may be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of our Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend in cash.

Our Board may resolve elect to receive further shares in respect of all (or some part) of any dividend specified by the ordinary resolution (the "**scrip dividend**") in the general meeting of our Company in accordance with the Articles of Association. The basis of such allotment shall be determined by our Board and our Board shall give notice in writing to the shareholders of their rights of election in respect of the scrip dividend and shall specify the procedures to be followed and the place at which and the latest date and time by which the duly completed forms for election must be lodged. The further shares allotted shall rank *pari passu* in all respects with the other shares save only as regards participation in the relevant dividend or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed, and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

UNTRACEABLE SHAREHOLDERS

Without prejudice to the rights of our Company and the provisions under the Articles of Association, our Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

Our Company shall have the power to sell, in such manner as our Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

(a) all cheques or warrants for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of Association of our Company have remained uncashed for a total of not less than three times;

(b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or otherwise; and

(c) our Company has caused an advertisement to be inserted in an English language newspaper and a Chinese language newspaper giving notice of its intention to sell such shares and has notified the Stock Exchange of such intention and a period of three months has elapsed since the date of such advertisement.

For this purpose, "relevant period" means the period commencing 12 years before the date of publication of the relevant advertisement and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, our Board may authorise any person to transfer the said shares. The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former shareholder for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it, and our Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of our Company or as it thinks fit.

WINDING UP

If our Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie or kind the whole or any part of the assets of our Company and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

INDEMNITY

Every Director, former Director, responsible person, officer or auditor of our Company shall be entitled to be indemnified out of the assets of our Company against all losses or liabilities (including any such liability as mentioned in section 468(4) of the Companies Ordinance) which he may sustain or incur in the execution of the duties of his office or otherwise in relation thereto. So far as may be permitted by the Companies Ordinance, if any Director, former Director, responsible person, officer or auditor shall become personally liable for the payment of any sum primarily due from our Company, our Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of our Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

The above paragraph shall not apply to:

(a) any liability of the Director, former Director, responsible person, officer or auditor to pay:

    (i) a fine imposed in criminal proceedings; or

    (ii) a sum payable by way of a penalty in respect of non-compliance with any requirement of a regulatory nature; or

(b) any liability incurred by the Director, former Director, responsible person, officer or auditor:

    (i) in defending criminal proceedings in which the Director, former Director, responsible person, officer or auditor is convicted;

    (ii) in defending civil proceedings brought by our Company, or an associated company of our Company, in which judgement is given against the Director, former Director, responsible person, officer or auditor;

(iii) in defending civil proceedings brought on behalf of our Company by a member of our Company or of an associated company of our Company, in which judgement is given against the Director, former Director, responsible person, officer or auditor;

(iv) in defending civil proceedings brought on behalf of an associated company of our Company by a member of the associated company or by a member of an associated company of the associated company, in which judgement is given against the Director, former Director, responsible person, officer or auditor; or

(v) in connection with an application for relief under section 903 or 904 of the Companies Ordinance in which the Court refuses to grant the Director, former Director, responsible person, officer or auditor relief.

So far as may be permitted by the Companies Ordinance, our Company may purchase and maintain for any officer of our Company:

(a) insurance against any liability to our Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to our Company or an associated company; and

(b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to our Company or an associated company.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in Hong Kong under the Companies Ordinance as a private company with limited liability on 23 July 2019. Our registered office is at Unit 26B, 235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Hong Kong. Our Company changed our Company's status from a private company to a public company following the approval and adoption of the Articles of Association (which have taken effect from 25 February 2021) by the written resolutions of our then sole Shareholder passed on 10 February 2021.

As our Company was incorporated in Hong Kong, our operations are subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association. A summary of certain provisions of the Articles of Association is set out in Appendix V to this prospectus.

2. Changes in Share Capital of our Company

As at the date of incorporation of our Company on 23 July 2019, our Company had an initial registered share capital of HK$100,000 divided into 100,000 Shares, which were allotted and issued as fully paid to Morimatsu Industry. On 22 October 2020, 100,000 Shares were further allotted and issued as fully paid to Morimatsu Industry. Since its incorporation and up to the Latest Practicable Date, our Company was wholly owned by Morimatsu Industry.

Immediately upon completion of the Global Offering and the Bonus Issue but without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme, 1,000,000,000 Shares will be issued fully paid or credited as fully paid.

Pursuant to the Companies Ordinance, with effect from 3 March 2014, companies incorporated in Hong Kong no longer have an authorised share capital and there is no longer the concept of par value in respect of issued shares.

Save as disclosed herein and in paragraphs headed "A. Further Information about our Company and its Subsidiaries — 4. Corporate Reorganisation" in this section below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of our then Sole Shareholder Passed on 10 February 2021

On 10 February 2021, written resolutions of our then sole Shareholder were passed pursuant to which, among others:

(a) the Articles of Association were adopted in substitution of and to the exclusion of the existing articles of association of our Company with effect from the date of registration of this prospectus with the Registrar of Companies in Hong Kong, the terms of which are summarised in Appendix V to this prospectus;

(b) conditional on (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering, the Bonus Issue, the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme); (B) the Offer Price having been duly agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company; (C) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (D) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before such dates as may be specified therein:

(i) the Global Offering was approved and the Directors were authorised to approve the allotment and issue the Shares pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms;

(ii) the Over-allotment Option was approved and our Directors were authorised to effect the same and allot and issue such number of Shares upon the exercise of the Over-allotment Option;

(iii) 749,800,000 Shares to be allotted credited as fully paid for nil consideration to Morimatsu Industry, being the only holder of Shares whose name appeared on the register of members of our Company at the close of business on 10 February 2021 (the "**Bonus Issue**") and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the Bonus Issue) and our Directors were authorised to give effect to the Bonus Issue;

(iv) the rules of the Post-IPO Share Option Scheme, the principal terms of which are set out in the paragraphs headed "— D. Other Information – 2. Post-IPO Share Option Scheme" in this section below, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Post-IPO Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted thereunder and to take all such steps as they consider necessary desirable or expedient to implement and give effect to the Post-IPO Share Option Scheme; and

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with otherwise than by way of rights issue, an issue of shares pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme, any scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or part of a dividend in accordance with the Articles of Association, or a specific authority granted by the Shareholders in general meeting, a total number of Shares not exceeding 20% of the aggregate number of Shares, in issue immediately following completion of the Global Offering and the Bonus Issue (excluding any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options may be granted under the Post-IPO Share Option Scheme), and such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Hong Kong to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such authority;

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules and all other applicable laws, regulations and rules, with any total number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Bonus Issue (excluding any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme), and such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Hong Kong to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such authority; and

(e) the general unconditional mandate mentioned in paragraph (d) above be extended by the addition to the aggregate number of issued Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Bonus Issue (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme).

4. Corporate Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. For further details, please refer to the paragraphs headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

5. Changes in Share Capital of Subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

6. Particulars of our Subsidiaries

Particulars of our subsidiaries are set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

7. Repurchase of our own Securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of our then sole Shareholder passed on 10 February 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising any repurchase by our Company of Shares as described above in the paragraphs headed "— A. Further Information about our Company and its Subsidiaries — 3. Written Resolutions of our then Sole Shareholder Passed on 10 February 2021" in this section.

(ii) Source of Funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of Hong Kong.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage

as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's 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), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchase of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid for such repurchases.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his shares to the company.

(b) Funding of Purchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations of Hong Kong.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(c) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net asset value of our Company and/or its earnings per Share. Our Directors have sought the grant of a general unconditional mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(d) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after completion of the Global Offering and the Bonus Issue (but without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by the Company during the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Hong Kong to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such authority.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and all the applicable laws and regulations of Hong Kong.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified the Company that he/she/it has a present intention to sell any Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the equity transfer agreement dated 10 October 2018 between Morimatsu Industry and Morimatsu China pursuant to which Morimatsu Industry transferred approximately 29.24% equity interest in Morimatsu Heavy Industry to Morimatsu China for the consideration of JPY3,303,651,620;

(b) the equity transfer agreement dated 10 October 2018 between Morimatsu Technology and Morimatsu China pursuant to which Morimatsu Technology transferred approximately 16.55% equity interest in Morimatsu Heavy Industry to Morimatsu China for the consideration of JPY1,869,884,894;

(c) the equity transfer agreement dated 10 October 2018 between Morimatsu Chemical Equipment and Morimatsu China pursuant to which Morimatsu Chemical Equipment transferred approximately 5.61% equity interest in Morimatsu Heavy Industry to Morimatsu China for the consideration of RMB38,699,109;

(d) the demerger agreement dated 30 May 2019 (as amended by a supplemental agreement dated 30 September 2019) between Morimatsu China and Morimatsu Seiki pursuant to which Morimatsu China was demerged into two companies, namely Morimatsu China and Morimatsu Seiki as detailed in the paragraphs headed "History, Reorganisation and Corporate Structure — Reorganisation — 4. The Demerger" in this prospectus";

(e) the share sale and purchase agreement dated 30 November 2019 between Morimatsu Industry and our Company pursuant to which Morimatsu Industry transferred 80,000 shares of Morimatsu Japan to our Company for the consideration of JPY38,000,000;

(f) the share sale and purchase agreement dated 15 July 2020 between Morimatsu Industry and our Company pursuant to which Morimatsu Industry transferred 20,000 shares of Pharmadule Sweden to our Company for the consideration of HK$18,970,000 (equivalent to SEK 22,850,000 at the exchange rate on 30 June 2020);

(g) the equity transfer agreement dated 22 October 2020 between Morimatsu Industry and our Company pursuant to which Morimatsu Industry transferred the entire equity interest of Morimatsu China to our Company at a consideration which was equivalent to the then registered capital of Morimatsu China;

(h) the deed of non-competition dated 10 February 2021 executed by our Controlling Shareholders in favour of our Company as detailed in the paragraphs headed "Relationship with Our Controlling Shareholders – Deed of Non-competition" in this prospectus;

(i) the deed of indemnity dated 10 February 2021 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) containing the indemnities referred to the sub-paragraph headed "D. Other Information – 3. Estate Duty, Tax and Other Indemnity" in this section;

(j) a cornerstone investment agreement dated 23 February 2021 entered into among our Company, the Sole Sponsor, the Joint Global Coordinators and Huayou HongKong Holding Limited, details of which are included in the section headed "Cornerstone Investments" in this prospectus;

(k) a cornerstone investment agreement dated 23 February 2021 entered into among our Company, the Sole Sponsor, the Joint Global Coordinators and Jingzhirui (Suzhou) Microelectronic Technology Co., Ltd, details of which are included in the section headed "Cornerstone Investments" in this prospectus;

(l) a cornerstone investment agreement dated 23 February 2021 entered into among our Company, the Sole Sponsor, the Joint Global Coordinators and Dialog Corporate Sdn Bhd, details of which are included in the section headed "Cornerstone Investments" in this prospectus;

(m) a cornerstone investment agreement dated 23 February 2021 entered into among our Company, the Sole Sponsor, the Joint Global Coordinators and Hwa-An International Limited, details of which are included in the section headed "Cornerstone Investments" in this prospectus; and

(n) the Hong Kong Underwriting Agreement.

2. Intellectual Property of our Group

(a) Trademarks

As of the Latest Practicable Date, we were the registered owner of the following trademarks which are material to our business:

No.	Trademark	Registration number	Trademark owner	Place of registration	Class	Duration of validity
1	MORIMATSU	305219433	Morimatsu Pharmaceutical Equipment	Hong Kong	6,7,11,37, 40,42	From 13 March 2020 to 13 March 2030
2	MORIMATSU Your Needs · Our Drive	305219451	Morimatsu Pharmaceutical Equipment	Hong Kong	6,7,11,37, 40,42	From 13 March 2020 to 13 March 2030
3	MORIMATSU Your Needs · Our Drive	305219442	Morimatsu Pharmaceutical Equipment	Hong Kong	6,7,11,37, 40,42	From 13 March 2020 to 13 March 2030
4	MORIMATSU	36456818	Morimatsu Pharmaceutical Equipment	PRC	6	From 21 October 2019 to 20 October 2029
5	MORIMATSU	36438761	Morimatsu Pharmaceutical Equipment	PRC	7	From 21 October 2019 to 20 October 2029
6	MORIMATSU	36696295	Morimatsu Pharmaceutical Equipment	PRC	11	From 28 January 2020 to 27 January 2030
7	MORIMATSU	36450629	Morimatsu Pharmaceutical Equipment	PRC	37	From 21 October 2019 to 20 October 2029

No.	Trademark	Registration number	Trademark owner	Place of registration	Class	Duration of validity
8	MORIMATSU	36452667	Morimatsu Pharmaceutical Equipment	PRC	40	From 21 October 2019 to 20 October 2029
9	MORIMATSU	36452699	Morimatsu Pharmaceutical Equipment	PRC	42	From 21 October 2019 to 20 October 2029
10	MORIMATSU Your Needs · Our Drive	36438733	Morimatsu Pharmaceutical Equipment	PRC	6	From 14 October 2019 to 13 October 2029
11	MORIMATSU Your Needs · Our Drive	36455348	Morimatsu Pharmaceutical Equipment	PRC	7	From 14 October 2019 to 13 October 2029
12	MORIMATSU Your Needs · Our Drive	36678582	Morimatsu Pharmaceutical Equipment	PRC	11	From 28 January 2020 to 27 January 2030
13	MORIMATSU Your Needs · Our Drive	36452659	Morimatsu Pharmaceutical Equipment	PRC	37	From 14 October 2019 to 13 October 2029
14	MORIMATSU Your Needs · Our Drive	36443397	Morimatsu Pharmaceutical Equipment	PRC	40	From 7 October 2019 to 6 October 2029
15	MORIMATSU Your Needs · Our Drive	36455425	Morimatsu Pharmaceutical Equipment	PRC	42	From 7 October 2019 to 6 October 2029
16	MORIMATSU Your Needs · Our Drive	36445557	Morimatsu Pharmaceutical Equipment	PRC	6	From 7 October 2019 to 6 October 2029
17	MORIMATSU Your Needs · Our Drive	36445256	Morimatsu Pharmaceutical Equipment	PRC	7	From 28 January 2020 to 27 January 2030
18	MORIMATSU Your Needs · Our Drive	36678586	Morimatsu Pharmaceutical Equipment	PRC	11	From 14 October 2019 to 13 October 2029
19	MORIMATSU Your Needs · Our Drive	36447493	Morimatsu Pharmaceutical Equipment	PRC	37	From 14 October 2019 to 13 October 2029
20	MORIMATSU Your Needs · Our Drive	36438818	Morimatsu Pharmaceutical Equipment	PRC	40	From 7 October 2019 to 6 October 2029

No.	Trademark	Registration number	Trademark owner	Place of registration	Class	Duration of validity
21	MORIMATSU Your Needs · Our Drive	36441091	Morimatsu Pharmaceutical Equipment	PRC	42	From 7 October 2019 to 6 October 2029
22	森松	14179269	Morimatsu Pharmaceutical Equipment	PRC	6	From 28 August 2015 to 27 August 2025
23	森松	14179313	Morimatsu Pharmaceutical Equipment	PRC	7	From 21 April 2015 to 20 April 2025
24	森松	14179465	Morimatsu Pharmaceutical Equipment	PRC	11	From 14 April 2017 to 13 April 2027
25	森松	14179615	Morimatsu Pharmaceutical Equipment	PRC	37	From 21 August 2015 to 20 August 2025
26	森松	14179635	Morimatsu Pharmaceutical Equipment	PRC	40	From 21 May 2015 to 20 May 2025
27	森松	14179687	Morimatsu Pharmaceutical Equipment	PRC	42	From 21 April 2015 to 20 April 2025

(b) Domain Names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

No.	Registrant	Domain name	Date of registration	Expiry date
1	Morimatsu Pharmaceutical Equipment	morimatsu-eng.com.cn	16 February 2011	16 February 2028
2	Morimatsu Pharmaceutical Equipment	morimatsu-eng.com	14 April 2017	14 April 2028
3	Morimatsu Pharmaceutical Equipment	morimatsu-eng.cn	14 April 2017	14 April 2028
4	Morimatsu Pharmaceutical Equipment	morimatsu-pharmengineering.com.cn	28 July 2015	28 July 2027
5	Morimatsu Pharmaceutical Equipment	pharmadule.cn	10 February 2014	10 February 2028
6	Morimatsu Heavy Industry	morimatsu.com.cn	23 December 1998	23 December 2026
7	Our Company	morimatsu-online.com	17 January 2019	17 January 2029

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which are material to our business:

No.	Patent	Patent number	Patentee	Place of registration	Patent type	Date of application	Expiry date
1	CIP清洗工作站及其清洗設備的方法	201410362837.0	Morimatsu Pharmaceutical Equipment	PRC	Invention	28 July 2014	27 July 2034
2	衛生級機械密封液冷凝裝置及使用方法	201410232800.6	Morimatsu Pharmaceutical Equipment	PRC	Invention	29 May 2014	28 May 2034
3	一種可調筒體專用火焰加熱工裝	201410228425.8	Morimatsu Heavy Industry	PRC	Invention	28 May 2014	27 May 2034
4	一種氬弧焊槍水冷系統水電分離結構	201510768820.X	Morimatsu Heavy Industry	PRC	Invention	12 November 2015	11 November 2035
5	一種模塊化塔器裝置及其建造運輸方法	201510793265.6	Morimatsu Heavy Industry	PRC	Invention	18 November 2015	17 November 2035
6	一種氣體保護焊焊縫背面氣體保護工裝	201510793203.5	Morimatsu Heavy Industry	PRC	Invention	18 November 2015	17 November 2035
7	一種多聯生物反應器系統	201620534167.0	Morimatsu Pharmaceutical Equipment	PRC	Utility model	2 June 2016	1 June 2026
8	一種十字架式鎢極氬弧焊雙槍自動堆焊裝置	201621244241.1	Morimatsu Heavy Industry	PRC	Utility model	21 November 2016	20 November 2026
9	一種管式油水分離裝置	201621291859.3	Morimatsu Heavy Industry	PRC	Utility model	29 November 2016	28 November 2026
10	頂噴製粒裝置以及流化床製粒機	201720152906.4	Morimatsu Pharmaceutical Equipment	PRC	Utility model	20 February 2017	19 February 2027
11	全自動化一體式移動超濾／微濾中試機	201720815089.6	Morimatsu Pharmaceutical Equipment	PRC	Utility model	6 July 2017	5 July 2027
12	一種自動報警纏繞式法蘭墊片	201720936915.2	Morimatsu Heavy Industry	PRC	Utility model	31 July 2017	30 July 2027
13	一種新型的雙層固定床反應器的分佈器	201720936827.2	Morimatsu Heavy Industry	PRC	Utility model	31 July 2017	30 July 2027
14	一種隔板式液液分離罐	201720936817.9	Morimatsu Heavy Industry	PRC	Utility model	31 July 2017	30 July 2027

No.	Patent	Patent number	Patentee	Place of registration	Patent type	Date of application	Expiry date
15	一種管道籃式旋流過濾器	201720936816.4	Morimatsu Heavy Industry	PRC	Utility model	31 July 2017	30 July 2027
16	一種有機溶劑分子篩脫水脫醇再生裝置	201720936814.5	Morimatsu Heavy Industry	PRC	Utility model	31 July 2017	30 July 2027
17	攪拌器	201820749315.X	Morimatsu Pharmaceutical Equipment	PRC	Utility model	18 May 2018	17 May 2028
18	連接裝置和物料輸送設備	201821491767.9	Morimatsu Pharmaceutical Equipment	PRC	Utility model	12 September 2018	11 September 2028
19	一種湍流管殼式換熱器	201822012955.5	Morimatsu Heavy Industry	PRC	Utility model	3 December 2018	2 December 2028
20	一種用於放置多塊TOFD對比試塊的支撐架	201822011931.8	Morimatsu Heavy Industry	PRC	Utility model	3 December 2018	2 December 2028
21	一種大型筒體內置設備安裝工裝	201822019228.1	Morimatsu Heavy Industry	PRC	Utility model	3 December 2018	2 December 2028
22	限位結構及物料輸送設備	201822222992.9	Morimatsu Pharmaceutical Equipment	PRC	Utility model	3 December 2018	2 December 2028
23	一種新型PTA氧化反應器	201920179870.8	Morimatsu Heavy Industry	PRC	Utility model	31 January 2019	30 January 2029
24	生物反應器	201830522116.0	Morimatsu Pharmaceutical Equipment	PRC	Industrial designs	17 September 2018	16 September 2028
25	一種高壓換熱管水壓工裝	201921370951.2	Morimatsu Heavy Industry	PRC	Utility model	22 August 2019	21 August 2029
26	一種換熱直管水壓固定工裝	201921370943.8	Morimatsu Heavy Industry	PRC	Utility model	22 August 2019	21 August 2029
27	一種生物反應系統中的通氣裝置及包含其的生物反應系統	201922094255.X	Morimatsu Pharmaceutical Equipment	PRC	Utility model	28 November 2019	27 November 2029
28	筒形工件的環縫對邊夾具及夾具組件	202020177930.5	Morimatsu Heavy Industry	PRC	Utility model	17 February 2020	16 February 2030
29	芳烴罐區油氣梯級回收處理系統	202020176449.4	上海森松製藥設備工程有限公司	PRC	Utility model	17 February 2020	16 February 2030
30	軌道式翅片管束安裝組合吊具	202020264242.2	Morimatsu Heavy Industry	PRC	Utility model	6 March 2020	5 March 2030

No.	Patent	Patent number	Patentee	Place of registration	Patent type	Date of application	Expiry date
31	一種廢溶劑回收系統	202020330928.7	Morimatsu Pharmaceutical Equipment	PRC	Utility model	17 February 2020	16 February 2030
32	一種具有滾輪行走結構的吊裝模塊	201921399848.0	Morimatsu Pharmaceutical Equipment	PRC	Utility model	27 August 2019	26 August 2029
33	一種數據中心模塊單元、數據中心模塊及數據中心系統	202020776891.0	Morimatsu Pharmaceutical Equipment	PRC	Utility model	12 May 2020	11 May 2030
34	熱交換設備管束安裝及拆卸裝置	202021131324.6	Morimatsu Heavy Industry	PRC	Utility model	17 June 2020	16 June 2030
35	一種預製混凝土鋼結構組合建築結構	202021957027.7	Morimatsu Pharmaceutical Equipment	PRC	Utility model	9 September 2020	8 September 2030

As at the Latest Practicable Date, we had applied for registration of the following patents which are material to our business:

No.	Patent	Application number	Applicant	Place of application	Patent type	Date of application
1	一種管式油水分離裝置	201611071545.7	Morimatsu Heavy Industry	PRC	Invention	29 November 2016
2	一種模塊組裝適配度檢測系統及方法	201710154956.0	Morimatsu Pharmaceutical Equipment	PRC	Invention	15 March 2017
3	全自動化一體式移動超濾／微濾中試機	201710547227.1	Morimatsu Pharmaceutical Equipment	PRC	Invention	6 July 2017
4	一種管道籃式旋流過濾器	201710636508.4	Morimatsu Heavy Industry	PRC	Invention	31 July 2017
5	一種有機溶劑分子篩脱水脱醇再生裝置	201710636506.5	Morimatsu Heavy Industry	PRC	Invention	31 July 2017
6	攪拌器	201810479620.6	Morimatsu Pharmaceutical Equipment	PRC	Invention	18 May 2018
7	一種高溫管道取樣系統	201811465811.3	Morimatsu Heavy Industry	PRC	Invention	3 December 2018

No.	Patent	Application number	Applicant	Place of application	Patent type	Date of application
8	一種湍流管殼式換熱器	201811465782.0	Morimatsu Heavy Industry	PRC	Invention	3 December 2018
9	一種自巡航式工業智能探照燈	201811465789.2	Morimatsu Heavy Industry	PRC	Invention	3 December 2018
10	一種用於放置多塊TOFD對比試塊的支撐架	201811464883.6	Morimatsu Heavy Industry	PRC	Invention	3 December 2018
11	一種大型筒體內置設備安裝工裝	201811470955.8	Morimatsu Heavy Industry	PRC	Invention	4 December 2018
12	一種新型PTA氧化反應器	201910098285.X	Morimatsu Heavy Industry	PRC	Invention	31 January 2019
13	一種洗滌裝置	201911032290.7	Morimatsu Pharmaceutical Equipment	PRC	Invention	28 October 2019
14	一種生物反應系統中的通氣裝置及方法和包含其的生物反應系統	201911195011.9	Morimatsu Pharmaceutical Equipment	PRC	Invention	28 November 2019
15	工件檢測方法、裝置、計算機設備以及存儲介質	201911400158.7	Morimatsu Pharmaceutical Equipment	PRC	Invention	30 December 2019
16	平接頭焊接方法、裝置、系統以及計算機可讀存儲介質	201911410631.X	Morimatsu Pharmaceutical Equipment	PRC	Invention	31 December 2019
17	薄壁筒形工件的環縫焊接方法及焊接定位工裝	202010095843.X	Morimatsu Heavy Industry	PRC	Invention	17 February 2020
18	芳烴罐區油氣回收處理系統	202010095764.9	Morimatsu Pharmaceutical Equipment	PRC	Invention	17 February 2020
19	芳烴罐區油氣梯級回收處理系統	202010097075.1	Morimatsu Pharmaceutical Equipment	PRC	Invention	17 February 2020
20	軌道式翅片管束安裝組合吊具	202010151021.9	Morimatsu Heavy Industry	PRC	Invention	6 March 2020
21	一種廢溶劑回收系統及方法	202010185437.2	Morimatsu Pharmaceutical Equipment	PRC	Invention	17 March 2020
22	模塊化廠房	202010393576.4	Morimatsu Pharmaceutical Equipment	PRC	Invention	11 May 2020

No.	Patent	Application number	Applicant	Place of application	Patent type	Date of application
23	模塊化建築的防水連接結構	202010397536.7	Morimatsu Pharmaceutical Equipment	PRC	Invention	12 May 2020
24	一種數據中心模塊單元、數據中心模塊及數據中心系統	202010397166.7	Morimatsu Pharmaceutical Equipment	PRC	Invention	12 May 2020
25	數據中心暖通供電系統及方法	202010454818.6	Morimatsu Pharmaceutical Equipment	PRC	Invention	26 May 2020
26	換熱器管束的穿設工裝及穿設方法	202010554579.1	Morimatsu Heavy Industry	PRC	Invention	17 June 2020
27	熱交換設備管束安裝及拆卸裝置	202010553663.1	Morimatsu Heavy Industry	PRC	Invention	17 June 2020
28	無菌有毒隔離器用負壓保護結構和無菌有毒隔離器	202010646026.9	Morimatsu Pharmaceutical Equipment	PRC	Invention	7 July 2020
29	用於隔離器的催化分解裝置和隔離器	202010654154.8	Morimatsu Pharmaceutical Equipment	PRC	Invention	7 July 2020
30	一種水壓試驗方法、裝置、設備及存儲介質	202010789253.7	Morimatsu Pharmaceutical Equipment	PRC	Invention	7 August 2020
31	折流板調節裝置	202011010017.7	Morimatsu Heavy Industry	PRC	Invention	23 September 2020
32	過濾器、隔離器、隔離系統及可更換過濾器的連接結構	202011062957.0	Morimatsu Pharmaceutical Equipment	PRC	Invention	30 September 2020
33	多晶矽還原爐封頭及多晶矽還原爐	202022370057.4	Morimatsu Heavy Industry	PRC	Utility model	22 October 2020
34	一種模塊化建築系統及其施工方法	202011457420.4	Morimatsu Pharmaceutical Equipment	PRC	Invention	10 December 2020
35	攪拌裝置及濕法製粒機	202011545630.9	Morimatsu Pharmaceutical Equipment	PRC	Invention	23 December 2020

(d) Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which are material to our business:

No.	Registered owner	Title of copyright	Registration number	Place of registration	Registration date
1	Morimatsu Pharmaceutical Equipment	SMP三合一製藥設備控制軟件V1.0	2009SR030127	PRC	31 July 2009
2	Morimatsu Pharmaceutical Equipment	SMP反應器攪拌功率計算軟件V1.0	2009SR030128	PRC	31 July 2009
3	Morimatsu Pharmaceutical Equipment	SMP移動CIP控制軟件V1.0	2009SR030129	PRC	31 July 2009
4	Morimatsu Pharmaceutical Equipment	SMP蜂窩夾套傳熱計算軟件V1.0	2009SR030130	PRC	31 July 2009
5	Morimatsu Pharmaceutical Equipment	SMP多功能流化床控制軟件V1.0	2009SR030131	PRC	31 July 2009
6	Morimatsu Pharmaceutical Equipment	SMP二氧化碳超臨界萃取控制軟件V1.0	2009SR032247	PRC	12 August 2009
7	Morimatsu Pharmaceutical Equipment	SMP哺乳動物細胞反應器控制軟件V1.0	2009SR032237	PRC	12 August 2009
8	Morimatsu Pharmaceutical Equipment	SMP哺乳動物細胞反應器分析軟件V1.0	2009SR032239	PRC	12 August 2009
9	Morimatsu Pharmaceutical Equipment	SMP螺旋折流板流體阻力計算軟件V1.0	2009SR032244	PRC	12 August 2009
10	Morimatsu Pharmaceutical Equipment	SMP微生物反應器控制軟件V1.0	2009SR032241	PRC	12 August 2009
11	Morimatsu Pharmaceutical Equipment	SMP微生物反應器分析軟件V1.0	2009SR032235	PRC	12 August 2009
12	Morimatsu Pharmaceutical Equipment	SMP生物廢液處理模塊控制軟件V1.0	2009SR032245	PRC	12 August 2009
13	Morimatsu Pharmaceutical Equipment	森松三合一控制處理軟件[簡稱：三合控制處理軟件]V1.0	2011SR092185	PRC	8 December 2011
14	Morimatsu Pharmaceutical Equipment	海工模塊工程建造信息化平臺[簡稱：IMES管理平臺]V1.0	2017SR623339	PRC	14 November 2017
15	Morimatsu Pharmaceutical Equipment	森松非標壓力容器封頭接管自動焊接系統V1.0	2020SR0195670	PRC	2 March 2020
16	Morimatsu Pharmaceutical Equipment	森松多類型平接頭接管自動焊接系統V1.0	2020SR0194884	PRC	2 March 2020
17	Morimatsu Pharmaceutical Equipment	森松製藥物料配方稱量管理軟件V1.0	2020SR1009805	PRC	31 August 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and Short Positions of Directors in the Share Capital of Our Company

Interests in the Company

Immediately following completion of the Global Offering and the Bonus Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-Allotment Option and the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme), the interests or short positions of each of the Directors and the chief executives in the share capital, underlying shares and debentures of our Company which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name of Director	Capacity/ Nature of Interest	Number of Shares or underlying Shares[1]	Approximate percentage of shareholding
Mr. Matsuhisa Terumoto [2][3]	Interest in a controlled corporation[2]	750,000,000 (L)	75%
	Beneficial owner [3]	16,810,000 (L)	1.68%
Mr. Nishimatsu Koei	Beneficial owner[4]	11,315,000(L)	1.13%
Mr. Tang Weihua	Beneficial owner[5]	7,920,000(L)	0.79%
Mr. Sheng Ye	Beneficial owner[6]	7,920,000(L)	0.79%
Mr. Kawashima Hirotaka	Beneficial owner[7]	3,960,000(L)	0.40%
Mr. Hirazawa Jungo	Beneficial owner[8]	3,400,000(L)	0.34%

Notes:

(1) The letter ''L'' denotes the person's long position in the Shares.

(2) Morimatsu Industry will hold approximately 75% of the issued share capital of our Company. Morimatsu Industry is wholly owned by Morimatsu Holdings. Mr. Matsuhisa Terumoto holds 80% of the voting shares of Morimatsu Holdings, and is therefore deemed to be interested in Shares held by Morimatsu Industry.

(3) Mr. Matsuhisa Terumoto is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 16,810,000 Shares.

(4) Mr. Nishimatsu Koei is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 11,315,000 Shares.

(5) Mr. Tang Weihua is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 7,920,000 Shares.

(6) Mr. Sheng Ye is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 7,920,000 Shares.

(7) Mr. Kawashima Hirotaka is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 3,960,000 Shares.

(8) Mr. Hirazawa Jungo is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 3,400,000 Shares.

2. Interests and Short Positions of Substantial Shareholders in the Share Capital of Our Company

Interests in Our Company

So far as the Directors are aware, immediately following completion of the Global Offering and the Bonus Issue (but taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Post-IPO Share Option Scheme), in addition to the interests disclosed under the paragraph headed "– 1. Interests and Short Positions of Directors in the Share Capital of Our Company" above in this section, the persons (not being a director or chief executive of our Company) who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares[(1)]	Approximate percentage of shareholding
Morimatsu Industry [(2)]	Beneficial owner	750,000,000 (L)	75%
Morimatsu Holdings [(2)]	Interest in a controlled corporation	750,000,000 (L)	75%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Morimatsu Industry will hold approximately 75% of the issued share capital of our Company. Morimatsu Industry is wholly owned by Morimatsu Holdings.

3. Directors' Service Contracts and Remuneration

(a) Directors' Service Contracts

Each of our executive Directors and non-executive Director has entered into a service contract with our Company for a term of three years commencing from the date thereof, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

(b) Directors' remuneration

For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the aggregate amount paid to our Directors as remuneration (including director's fee, salaries, allowances and benefits in kind, discretionary bonuses, contributions to retirement benefit schemes and share-based payment expenses) were approximately RMB4.2 million, RMB4.6 million, RMB5.9 million and RMB12.1 million, respectively.

For the year ending 31 December 2021, the estimated total compensation payable to the Directors amounts to RMB36.8 million (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors nor any of the persons whose names are listed in the paragraphs headed "D. Other Information – 9. Consents of Experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of the Directors nor any of the persons whose names are listed in the paragraphs headed "D. Other Information – 9. Consents of Experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of the Directors or their associates (as defined in the Listing Rules) or existing shareholders or the Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of our Company; and

(e) none of the Directors or their associates (as defined in the Listing Rules) or our existing shareholders of our Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any or the five largest suppliers of our Company.

D. OTHER INFORMATION

1. Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined below) for their contribution to, and continuing efforts to promote the interests of, the Company and for such other purposes the Board may approve from time to time. In determining the basis of eligibility of each Eligible Person, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The principle terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of our then sole Shareholder dated 1 July 2020, are set out as follows:

(i) The Grantees

The Pre-IPO Share Option Scheme is available to the directors and employees (whether full time or part time) of any member of our Group ("**Eligible Persons**").

(ii) Maximum Number of Shares to be Allotted

The maximum number of the Shares with respect to which options may be granted under the Pre-IPO Share Option Scheme shall be 132,380,000 Shares representing approximately 13.24% of our issued share capital immediately after completion of the Global Offering and the Bonus Issue (assuming the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme are not exercised).

(iii) Subscription Price

The subscription price in respect of each Share under the Pre-IPO Share Option Scheme is determined by the Board at its own discretion and set out in the relevant offer letters.

(iv) Duration of Plan

After the Latest Practicable Date, no further options will be offered or granted under the Pre-IPO Share Option Scheme but in other respects, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and options which are granted on or before the Latest Practicable Date may continue to be exercisable in accordance with their terms of issue.

(v) Exercise Period

Unless otherwise provided in the relevant offer letter(s), options granted under the Pre-IPO Share Option Scheme are to be vested in the following manner:

(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 another 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 a further additional 20% of the total number of options granted at any time after the fourth anniversary of the Listing Date; and

(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.

(vi) Exercise of Option

Any exercise of an option granted under the Pre-IPO Share Option Scheme is conditional upon:

(1) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme;

(2) the commencement of dealings in the Shares on the Stock Exchange;

(3) any such conditions as may be specified in the relevant offer letter in respect of the grant of options being satisfied or waived.

The expiry date of the exercise period of any such options shall be set out more particularly in the relevant offer letter in respect of the grant of options.

(vii) Rights Personal to Grantees

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

(viii) Ranking of Shares

The Shares to be allotted upon the exercise of an option shall rank *pari passu* in all respects with our fully-paid Shares in issue as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

(ix) Right to Cancel Options

The Board may cancel an option granted but not exercised with the approval of the grantee of such option.

(b) Outstanding Options Granted under the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, we have conditionally granted options to subscribe for an aggregate of 132,380,000 Shares (representing approximately 13.24% of our total issued share capital immediately after completion of the Global Offering and the Bonus Issue assuming that the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Post-IPO Share Option Scheme are not exercised) to 27 participants in consideration of an option price of HK$1.00 for each acceptance of an offer of options under the Pre-IPO Share Option Scheme. The exercise price in respect of each Share under the Pre-IPO Share Option Scheme is HK$0.0001, representing (i) a discount of approximately 99.9974% to the high-end and (ii) a discount of approximately 99.9960% to the low-end of the Offer Price, respectively. No further options will be granted under the Pre-IPO Share Option Scheme after the Latest Practicable Date. Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending 31 December 2021 and that 1,132,380,000 Shares, comprising 1,000,000,000 Shares to be in issue immediately after the Global Offering and 132,380,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending 31 December 2021, but without taking into account the Over-allotment Option and any option which may be granted under the Post-IPO Share Option Scheme, there would be a dilution effect of approximately 11.7% on the earning per Share. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the outstanding options granted under the Pre-IPO Share Option Scheme.

Details of (a) each of the directors of our Company or its subsidiaries; (b) each of our employees who are associates of any of the directors of our Company or its subsidiaries; and (c) each of our employees who is not a director of our Company or its subsidiaries or any of his associates who have been conditionally granted options under the Pre-IPO Share Option Scheme are set out below:

Name of grantee	Residential address	Position held within our Group	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
Directors of our Company or its subsidiaries					
Matsuhisa Terumoto (松久晃基)	1-6-30 Kagashimaminami, Gifu City, Gifu Prefecture, Japan	Chairman and non-executive Director	16,810,000	12.70%	1.68%

Name of grantee	Residential address	Position held within our Group	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
Matsuhisa Hiroyuki (松久浩幸)	2-67-1 Sogaya, Gifu City, Gifu Prefecture, Japan	Director of Morimatsu China	8,400,000	6.35%	0.84%
Nishimatsu Koei (西松江英)	No. 29 Jinwen Road, Zhuqiao Town, Pudong New District, Shanghai, PRC	Chief executive officer and executive Director, directors of Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry and director and general manager of Morimatsu China	11,315,000	8.55%	1.13%
Kawashima Hirotaka (川島宏貴)	No. 29 Jinwen Road, Zhuqiao Town, Pudong New District, Shanghai, PRC	Executive Director and director, head of production department, the principal of the chairman' office and vice general manger of Morimatsu China	3,960,000	2.99%	0.40%
Hirazawa Jungo (平澤準悟)	A202, 4-306-2, Unumakakamigaharacho, Kakamigahara, Gifu Prefecture, Japan	Chief finance officer and executive Director and supervisor of Morimatsu China	3,400,000	2.57%	0.34%
Tang Weihua (湯衞華)	No. 166 Fengdan Bailu Lane 188, South Liu Road, Pudong New District, Shanghai, PRC	Executive Director and director and general manager of Morimatsu Pharmaceutical Equipment	7,920,000	5.98%	0.79%
Sheng Ye (盛曄)	Room 601, No. 10, Lane 1999, Langu Road, Gaoxing Town, Shanghai, PRC	Executive Director and director and general manager of Morimatsu Heavy Industry	7,920,000	5.98%	0.79%
Lu Weifeng (陸偉峰)	Room 2105, Lane 8, 180 Tianyaoqiao Road, Xuhui District, Shanghai	Director of Morimatsu Heavy Industry, Morimatsu Pharmaceutical Equipment and Morimatsu China	7,920,000	5.98%	0.79%

Name of grantee	Residential address	Position held within our Group	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
Zhao Xiaohong (趙小紅)	Room 302, Lane 29, 1501 Tongpu Road, Putuo District, Shanghai	Director of Morimatsu Heavy Industry	6,785,000	5.13%	0.68%
Li Hongbin (李宏斌)	Room 501, Lane 2, 2000 Donglu Road, Shanghai	Director of Morimatsu Heavy Industry	6,785,000	5.13%	0.68%
Sanada Kazuaki (真田和明)	770 Dendai Kasamatsucho Hashimagun, Gifu Prefecture, Japan	Directors of Pharmadule India, Morimatsu Investment HK, Pharmadule Sweden, Morimatsu Japan and Pharmadule US	1,695,000	1.28%	0.17%
Nishimura Kyoko (西村今日子)	1202 10-8 Seihonmachi, Gifu City, Gifu Prefecture, Japan	Director of Morimatsu China	4,525,000	3.42%	0.45%
Zhang Haifang (張海芳)	Peninsular Phase III, No. 1729, Lane 2727, Hunan Road, Kangqiao Town, Pudong New District, Shanghai	Vice general manager of Morimatsu Pharmaceutical Equipment, chief executive officer of Pharmadule Sweden and director of Pharmadule US	3,395,000	2.56%	0.34%
Zhang Yali (張婭莉)	No. 139, Lane 188, Nanliu Road, Huinan Town, Pudong New District, Shanghai	Assistant general manager of Morimatsu Pharmaceutical Equipment and director and chief executive officer of Pharmadule US	2,265,000	1.71%	0.23%

Name of grantee	Residential address	Position held within our Group	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
Associate of directors of our Company or its subsidiaries					
Matsuhisa Hideo (松久英夫) (being a family member of Matsuhisa Terumoto and Matsuhisa Hiroyuki)	1-7-9 Noritakehigashi, Gifu City, Gifu Prefecture, Japan	Officer of Morimatsu Japan	4,200,000	3.17%	0.42%
Employees					
Lee Kenneth Hoi Nap	Flat A, 20/F, Block 2, City Point, 48 Wing Shun Street, Tsuen Wan, Hong Kong	Joint company secretary and manager of the Company	1,130,000	0.85%	0.11%
Mao Lurong (茅陸榮)	No. 76, Lane 666, Jinghai South Road, Huinan Town, Pudong New District, Shanghai	Chief engineer of Morimatsu China	6,785,000	5.13%	0.68%
Lu Yi (陸毅)	Room 702, No. 32, Lane 1266, Mengshan Road, Jinshan District, Shanghai	Vice general manager of Morimatsu Pharmaceutical Equipment	3,395,000	2.56%	0.34%
Jiang Pei (江培)	Room 1501, 66 Shanlin Road, Lane 958, Shensong Road, Minhang District, Shanghai	Vice general manager of Morimatsu Pharmaceutical Equipment	3,395,000	2.56%	0.34%
Meng Lei (孟磊)	No. 13, Lane 219, Gaomuqiao Road, Pudong New District, Shanghai	Vice general manager of equipment department of Morimatsu Heavy Industry	3,395,000	2.56%	0.34%

Name of grantee	Residential address	Position held within our Group	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
Xia Wei (夏微)	Room 902, No. 7, Lane 323, Hongguan Road, Hongkou District, Shanghai	Supervisor of Morimatsu Pharmaceutical Equipment and Morimatsu Heavy Industry and vice manager of financial department of Morimatsu China	3,395,000	2.56%	0.34%
Zhang Fei (張斐)	Room 501, No. 25, Lane 828, Chenhui Road, Pudong New District, Shanghai	Vice general manager of modular department of Morimatsu Heavy Industry	2,830,000	2.14%	0.28%
Li Daoquan (李道全)	Room 202, No. 17, Lane 3839, Yanggao North Road, Pudong New District, Shanghai	Vice general manager of Morimatsu Pharmaceutical Equipment	2,265,000	1.71%	0.23%
Lv Binfeng (呂斌峰)	Room 901, No. 9, Lane 150, Yushui Road, Pudong New District, Shanghai	Vice general manager of equipment department of Morimatsu Heavy Industry	2,265,000	1.71%	0.23%
Zhang Huimin (張慧敏)	Room 401, No. 53, Lane 58, Chunyuan Road, Pudong New District, Shanghai	Assistant general manager of equipment department of Morimatsu Heavy Industry	2,265,000	1.71%	0.23%
Yang Xiaodong (楊曉東)	Room 104, No. 89, Lane 588, Zhangyang North Road, Pudong New District, Shanghai	Vice general manager of heavy modular department of Morimatsu Heavy Industry	2,265,000	1.71%	0.23%
Du Mingdi (杜明弟)	Room 302, Building 51, 100 Guangfeng Road, Fengxian District, Shanghai	Assistant general manager of Morimatsu Pharmaceutical Equipment	1,700,000	1.28%	0.17%
Total			**132,380,000**	**100%**	**13.24%**

As at the Latest Practicable Date, particulars of outstanding options that have been conditionally granted by us under the Pre-IPO Share Option Scheme to (i) directors of our Company or its subsidiaries and their associates; and (ii) our employees who are not a director of our Company or its subsidiaries or his associate are as follows:

Category	Total number of grantees in each category	Number of underlying Shares subject to the options
Directors of our Company or its subsidiaries or their associates	15	97,295,000
Employees	12	35,085,000
Total	27	132,380,000

Save as disclosed in this prospectus, no other option has been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing.

2. Post-IPO Share Option Scheme

Summary of terms

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted by the written resolutions of our then sole Shareholder passed on 10 February 2021. Our Directors confirm that the terms of the Post-IPO Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

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

(b) Who may join

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or advisor 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.

(c) Maximum number of Shares

(i) 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.

(ii) Subject to paragraphs (c)(i), (iv) and (v), at the time of adoption by our Company of the Post-IPO Share Option Scheme or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of 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**").

(iii) For the purposes of calculating the Scheme Mandate Limit under paragraph (c)(ii), 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.

(iv) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:

- 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;

- options previously granted under any Existing Schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and

- 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.

(v) 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:

- the grant is to Eligible Persons specifically identified by our Company before the approval is sought; and

- a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and rules,

in accordance with the terms of the Post-IPO Share Option Scheme.

(d) Maximum number of options to any one individual

No option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which 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:

- such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;

- 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

- the number and terms (including the Subscription Price) of such options are fixed before the general meeting of our Company at which the same are approved.

(e) Price of Shares

The subscription price for a Share in respect of any particular option granted under the Post-IPO Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person 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 of the 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 for any business day falling within the period before the listing Shares where our Company has been listed for less than five business days as of the Offer Date); and (iii) the nominal value of the Share. A consideration of HK$1.00 is payable on acceptance of the offer of an option or options.

(f) Granting options to connected persons

Any grant of options to a Director, chief executive or Substantial Shareholder 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 our 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 exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant in aggregate exceeding: (i) 0.1% of the Shares in issue at the relevant time of grant; and (ii) HK$5 million, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange at the date of each grant, such grant shall not be valid unless: (A) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting); and (B) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons abstained from voting in favour at such meeting.

(g) Restrictions on the time of grant of options

No offer to grant option shall 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.

(h) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

(i) 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 is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Post-IPO Share Option Scheme. An option may be exercised according to the terms of the Post-IPO Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by 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 the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must 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 at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. 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.

(j) Performance target

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

(k) Rights on ceasing to be an Eligible Person

In the event of the grantee ceasing to be an Eligible Person for any reason other than ceasing (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (2) by death or permanent disability the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee or director of our Company or any subsidiary, his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which the relationship constituting him an Eligible Person ceases.

(l) Rights on death or permanent disability

In the event that the grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee or, if appropriate, in the circumstances described in paragraphs (n), (o) and (q), an election made by his personal representatives within twelve months after the date of his death or permanent disability.

(m) Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the right to exercise the option (to the extent not already exercised) shall terminate immediately.

(n) Rights on a general offer by way of a take-over

If a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

(o) Rights on a general offer by way of a scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

(p) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of

competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement become effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(q) Rights on winding-up

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than four business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(r) Lapse of the options

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any of the periods referred to in paragraph (k), (l) or (n);

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);

(iv) subject to the compromise or arrangement referred to in paragraph (p);

(v) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

(vi) subject to paragraph (q), the date of the commencement of the voluntary winding-up of our Company;

(vii) the date on which the grantee commits a breach of paragraph (h);

(viii) the date on which the option is cancelled by the Board as provided in paragraph (v); or

(ix) the non-fulfilment of any condition referred to in paragraph (x) on or before the date specified therein.

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (r).

(s) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's Articles of Association and the laws of Hong Kong for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before the date of allotment and issue.

(t) Effect of alterations to share capital

In the event of any alteration to the capital structure of our Company arising from capitalisation of profits or reserves, rights issue, consolidation, redenomination, subdivision or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party. Adjustment (if any) shall be made to (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price for the Shares subject to the option so far as unexercised; and/or (c) the Shares to which the option relates; or any combination thereof as the Auditors or the independent financial advisors to

our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto. Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/ or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule" attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme) and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial advisors to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the Auditors or the independent financial advisors to our Company shall be borne by our Company. Notice of such adjustment shall be given to the Grantees by our Company.

(u) Alteration of Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Post-IPO Share Option Scheme as to:

(i) the definitions of "Eligible Person" and "grantee" in the Post-IPO Share Option Scheme; and

(ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules

which shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the bye-laws for the time being of our Company for a variation of the rights attached to the Shares. Any change to the authority of the Board in relation to any alterations to the terms of the Post-IPO Share Option Scheme must be approved by the Shareholders in general meeting. Any alterations to the provisions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Post-IPO Share Option Scheme. Any amended terms of the Scheme or the options must comply with Chapter 17 of the Listing Rules.

(v) Cancellation of options

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit set out in paragraph (c) above from time to time.

(w) Termination of the Post-IPO Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(x) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is conditional upon:

(i) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of any such options;

(ii) the passing of the resolutions by the Shareholders to approve and adopt the Post-IPO Share Option Scheme and to authorise the Board to grant Options under the Post-IPO Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Post-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

3. Estate Duty, Tax and Other Indemnity

Indemnity on estate duty and taxation

The Controlling Shareholders (the "**Indemnifiers**") have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for itself and as trustee for each of its subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**").

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation where:

(a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited combined accounts of the Company for the Track Record Period as set out in Appendix I to this prospectus (the "**Accounts**");

(b) to the extent that such taxation liabilities and claims falling on any of the members of our Group in respect of any accounting period commencing on or after the Listing Date would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Listing Date, or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent of any provision, reserve or allowance made for such taxation liabilities in the Accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities shall not be available in

respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or

(d) to the extent that any taxation liabilities and claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong, Japan, Sweden, India, the U.S., the PRC or any other jurisdiction(s)) relevant to our Group coming into force after the Effective Date or to the extent such taxation liabilities and claims arise or are increased by an increase in rates of such taxation liabilities after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of Japan, US, Sweden, India, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Other indemnity

Under the Deed of Indemnity, the Indemnifiers have also given indemnities on a joint and several basis in favour of our Company (for itself and as trustee as its subsidiaries) on demand from and against all penalties, claims, actions, demands, proceedings, litigations (without limitation to any legal costs), judgements, losses, liabilities, damages, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on or incurred or suffered by our Group as a result of directly or indirectly or in connection with (a) any non-compliance with the applicable laws, rules or regulations, by our Company and/or any members of our Group in their respective place of incorporation or operation; and (b) any liabilities or obligations relating to the businesses other than our Group's continued operations prior to/subsequent to the Demerger, which has occurred at any time on or before the Effective Date.

4. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of our Group.

5. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme).

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The total amount of fees payable to the Sole Sponsor by our Company for sponsoring the listing of the Shares on the Stock Exchange is HK$5 million.

6. Preliminary Expenses

Our preliminary expenses are estimated to be approximately HK$14,500 and were paid by our Company.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

8. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Sinolink Securities (Hong Kong) Company Limited	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
KPMG	Certified public accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Name	Qualification
Cushman & Wakefield Limited	Property valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jingtian & Gongcheng	PRC legal advisers to the Company
Midosuji LPC	Japan legal advisers to the Company
Advokatfirman Fylgia KB	Sweden legal advisers to the Company
The Law Office of Mark A. Kerstein, PLLC	US legal advisers to the Company
Agram Legal Consultants	India legal advisers to the Company
Hogan Lovells	legal advisers to the Company as to international sanctions law
Lexia Avvocati	Italy legal advisers to the Company
KPMG Advisory (China) Limited	Transfer pricing consultant

9. Consents of Experts

Each of the experts named in paragraph 8 above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion and/or data (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named in paragraph 8 above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a sponsorship fee, as referred to under the section headed "Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses" in this prospectus.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iv) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Since 30 September 2020, being the date of our latest audited combined financial results as set out in "Accountants' Report" in Appendix I to this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) Our register of members will be maintained by our Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

13. Financial Adviser

Mizuho Securities Asia Limited has been appointed by our Company as financial adviser in respect of the Listing and Global Offering. The appointment of Mizuho Securities Asia Limited was not made pursuant to the requirements of the Listing Rules, and the appointment of Mizuho Securities Asia Limited is separate and distinct from the appointment of the Sole Sponsor (which is required to be made by us pursuant to the Listing Rules). The Sole Sponsor is responsible for fulfilling its duties as sponsor to our Company's application for listing on the Stock Exchange, and the Sole Sponsor has not relied on any of the work performed by Mizuho Securities Asia Limited in fulfilling those duties. The role of Mizuho Securities Asia Limited in the Global Offering is different from that of the Sole Sponsor in that it focuses on providing general financial advisory services to our Company in respect of the Listing and Global Offering. Mizuho Securities Asia Limited is a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 9. Consents of Experts" in Appendix VI to this prospectus, and copies of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Jingtian & Gongcheng LLP at Suites 3203-3207, 32/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.

1. the Articles of Association;

2. the Accountants' Report for the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 from KPMG, the text of which is set out in Appendix I to this prospectus;

3. the audited combined financial statements of our Group for the three years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020;

4. the report prepared by KPMG in respect of the unaudited pro forma financial information, the text of which are set out in Appendix II to this prospectus;

5. the letter from KPMG in respect of our Group's profit estimate for the year ended 31 December 2020 prepared by our Directors, the text of which are set out in Appendix III to this prospectus;

6. the letter from the Sole Sponsor in respect of our Group's profit estimate for the year ended 31 December 2020 prepared by our Directors, the text of which are set out in Appendix III to this prospectus;

7. the letter with a summary of valuations and valuation certificates relating to our PRC properties prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix IV to this prospectus;

8. the PRC legal opinions issued by Jingtian & Gongcheng, our PRC legal advisers, in respect of certain aspects of the PRC law;

9. the US legal opinions issued by The Law Office of Mark A. Kerstein, PLLC, our US legal advisers, in respect of certain aspects of the US law;

10. the India legal opinions issued by Agram Legal Consultants, our India legal advisers, in respect of certain aspects of the India law;

11. the Sweden legal opinions issued by Advokatfirman Fylgia KB, our Sweden legal advisers, in respect of certain aspects of the Sweden law;

12. the Japan legal opinions issued by Midosuji LPC, our Japan legal advisers, in respect of certain aspects of the Japan law;

13. the legal memorandum issued by Hogan Lovells, our legal advisers as to international sanctions law;

14. the Italy legal opinions issued by Lexia Avvocati, our Italy legal advisers, in respect of certain aspects of the Italy law;

15. the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

16. the transfer pricing report issued by KPMG Advisory (China) Limited in respect of the transfer pricing arrangement of our Group;

17. the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix VI to this prospectus;

18. the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 9. Consents of Experts" in Appendix VI to this prospectus;

19. the rules of the Post-IPO Share Option Scheme;

20. the rules of the Pre-IPO Share Option Scheme; and

21. the service contracts referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 3. Directors' Service Contracts and Remuneration" in Appendix VI to this prospectus.

MORIMATSU
Your Needs · Our Drive

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