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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2155)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2024	2023
	RMB	*RMB*
Revenue	**6,948,354,000**	7,360,262,000
Gross profit	**2,049,777,000**	2,055,704,000
Gross profit margin	**29.5%**	27.9%
Net profit	**729,881,000**	842,548,000
Net profit margin	**10.5%**	11.4%
New orders amounts	**5,968,901,000**	7,784,856,000
EBITDA *Note*	**1,116,488,000**	1,143,066,000
Basic earnings per Share	**0.62**	0.73
Diluted earnings per Share	**0.59**	0.67

	As at 31 December	
	2024	2023
	RMB	*RMB*
Aggregated amount of the transaction price allocated to the remaining performance obligations under existing contracts	**8,131,050,000**	9,077,735,000

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

The board (the "**Board**") of directors (the "**Directors**") of Morimatsu International Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2024** ***RMB'000***	 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,398,082**	2,105,463
Right-of-use assets		**243,646**	189,565
Intangible assets		**53,710**	30,612
Interests in associates		**64,870**	65,361
Interest in joint venture		**7**	57,428
Financial assets measured at fair value through profit or loss ("**FVPL**")		**13,313**	10,100
Deferred tax assets		**22,318**	13,991
Other non-current assets		**33,101**	65,577
		2,829,047	2,538,097
Current assets			
Inventories		**797,243**	1,800,466
Contract assets	*7(a)*	**938,869**	866,310
Trade and other receivables	*8*	**1,347,940**	1,499,372
Financial assets measured at fair value through profit or loss ("**FVPL**")		**396,598**	59,149
Restricted cash		**3,188**	—
Cash and bank deposits		**2,595,448**	2,168,682
		6,079,286	6,393,979
Current liabilities			
Trade and other payables	*9*	**1,646,583**	1,669,850
Contract liabilities	*7(b)*	**1,476,247**	2,290,334
Financial liabilities measured at fair value through profit or loss ("**FVPL**")		**557**	—
Interest-bearing borrowings		**87,906**	185,524
Lease liabilities		**27,233**	4,312
Current taxation		**108,931**	90,089
Provisions		**30,386**	30,904
		3,377,843	4,271,013
Net current assets		**2,701,443**	2,122,966
Total assets less current liabilities		**5,530,490**	4,661,063

	Note	As at 31 December 2024 *RMB'000*	 2023 *RMB'000*
Non-current liabilities			
Interest-bearing borrowings		**126,279**	179,559
Lease liabilities		**54,376**	14,938
Deferred tax liabilities		**28,001**	31,593
Deferred income		**45,978**	44,364
		254,634	270,454
Net assets		**5.275,856**	4,390,609
Capital and reserves	*10*		
Share capital		**1,351,129**	1,302,751
Reserves		**3,697,230**	3,079,740
Total equity attributable to equity shareholders of the Company		**5,048,359**	4,382,491
Non-controlling interests		**227,497**	8,118
Total equity		**5,275,856**	4,390,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Group and the Group's interest in associates and a joint venture.

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

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

— Investment in unlisted equity securities;

— Monetary fund; and

— Forward exchange contracts.

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

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.

The financial information relating to the years ended 31 December 2024 and 2023 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

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

The Company's auditor has reported on the financial statements of the Group for the Reporting Period. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(c) Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements — Classification of liabilities as current or non-current* and amendments to HKAS 1, *Presentation of financial statements — Non-current liabilities with covenants*

- Amendments to HKFRS 16, *Leases — Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of these accounting policies did not have significant impact on the financial statements.

2 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 2(b).

(i) Disaggregation of revenue

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— core equipment	**2,525,033**	2,590,675
— reactor	**1,196,707**	1,114,356
— heat exchanger	**587,054**	739,517
— tank	**208,828**	352,902
— tower	**532,444**	383,900
— modular pressure equipment	**4,244,422**	4,553,792
— others*	**32,768**	31,325
Sales of products	**6,802,223**	7,175,792
— Pressure equipment design, validation, and maintenance service	**146,131**	184,470
Service	**146,131**	184,470
Revenue of operations	**6,948,354**	7,360,262

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Point in time	**3,515,626**	4,301,053
Over time	**3,432,728**	3,059,209
Total	**6,948,354**	7,360,262

The Group's customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's revenues of the year ended 31 December 2024 (2023: one). Revenues from this customer during year ended 31 December 2024 are set out below:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Customer A	*	798,967

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

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB8,131,050,000 (as at 31 December 2023: RMB9,077,735,000). This amount represents revenue expected to be recognised in the future from contracts with customers in existence at the reporting date. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months.

(iii) Geographic information

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

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

	Revenues from external customers Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**2,750,519**	3,886,406
North America	**1,383,524**	863,532
Asia (excluding mainland China)	**2,023,164**	1,824,800
Europe	**335,153**	246,198
Africa	**100,155**	336,286
Others *(Note)*	**355,839**	203,040
	6,948,354	7,360,262

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

(b) Segment reporting

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

3 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Government grants *(i)*	**24,743**	28,090
Interest income	**59,987**	59,765
Net realised gains on monetary fund	**9,894**	10,014
Net realised gains on forward exchange contracts	**172**	150
Net foreign exchange gains/(losses)	**25,313**	(16,263)
Changes in fair value of financial assets and liabilities	**854**	249
Net loss on disposal of property, plant and equipment	**(553)**	(377)
Others	**(3,004)**	3,834
	117,406	85,462

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

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on interest-bearing borrowings	**8,500**	12,369
Interest on lease liabilities	**1,948**	922
	10,448	13,291
(b) Staff costs:		
Salaries, wages and other benefits	**1,063,233**	1,028,502
Equity-settled share-based payment expenses	**60,840**	91,688
Contributions to defined contribution retirement plans *(i)*	**120,495**	111,486
	1,244,568	1,231,676

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

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(c) Other items:		
Amortisation of intangible assets	**21,301**	17,367
Depreciation charge		
— owned property, plant and equipment	**153,237**	116,263
— right-of-use assets	**20,248**	11,811
Auditor's remuneration		
— audit services	**4,200**	4,050
— non-audit services	**20**	20
Research and development costs *(i)*	**399,241**	418,149
Increase in provisions	**13,120**	12,964
Cost of inventories *(ii)*	**4,898,577**	5,304,558
Expense relating to short-term leases	**51,576**	65,713

(i) Research and development costs included staff costs of RMB207,766,000 (2023: RMB194,026,000), depreciation and amortisation expenses of RMB9,708,000 (2023: RMB10,704,000), which are also included in the respective total amounts disclosed separately above or in Note 4(b).

(ii) Cost of inventories included staff costs of RMB705,675,000 (2023: RMB628,220,000), depreciation and amortisation expenses of RMB147,663,000 (2023: RMB98,259,000), which are also included in the respective total amounts disclosed separately above or in Note 4(b).

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current tax:		
Provision for the year	**168,301**	130,131
Withholding tax on the profits of the Group's PRC subsidiaries	**14,921**	—
Under/(over)-provision in respect of prior year	**10,070**	(3,709)
	193,292	126,422
Deferred tax:		
Origination and reversal of temporary differences	**(29,344)**	443
Withholding tax on the profits of the Group's PRC subsidiaries	**13,079**	14,921
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**4,346**	—
	(11,919)	15,364
Actual tax expense	**181,373**	141,786

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

		Year ended 31 December	
	Note	**2024**	2023
		RMB'000	*RMB'000*
Profit before taxation		**911,254**	984,334
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	*(i)(ii)*	**141,218**	147,458
Additional deduction for qualified research and development expenses	*(iii)*	**(23,683)**	(34,836)
Under/(over)-provision in respect of prior year		**10,070**	(3,709)
Non-deductible expenses		**10,206**	21,967
Tax effect of unrecognised loss	*(v)*	**8,935**	(6,445)
Tax effect of unrecognised temporary difference		**2,281**	2,430
Withholding tax on the profits of the Group's PRC subsidiaries	*(iv)*	**28,000**	14,921
Effect on deferred tax balances at 1 January resulting from a change in tax rate		**4,346**	—
Actual tax expense		**181,373**	141,786

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

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

Country and region	**Company**	**Year ended 31 December 2024**	2023
Hong Kong	Morimatsu International Holdings Company Limited(*)	**16.5%**	16.5%
	Morimatsu Investment Company Limited(*)(**)	**16.5%**	16.5%
	Morimatsu International Investment Company Limited(*)(***)	**16.5%**	N/A
Kingdom of Sweden ("**Sweden**")	Pharmadule Morimatsu AB	**20.6%**	20.6%
United States of America ("**U.S.**")	Pharmadule Morimatsu Inc(****)	**21.0%**	21.0%
	Morimatsu Houston Corporation(****)	**21.0%**	21.0%
Republic of India ("**India**")	Pharmadule Engineering India Private Limited	**25.17%**	25.17%
Federation of Malaysia ("**Malaysia**")	Morimatsu Dialog (Malaysia) SDN. BHD.(*)	**24.0%**	24%
Japan	Pharmadule Technology And Service Company Limited (previous name: Morimatsu Technology and Service Company Limited	**33.58%**	33.58%
	Morimatsu Technology and Service Company Limited	**33.58%**	33.58%
Republic of Italy ("**Italy**")	Morimatsu Italy S.R.L	**24.0%**	24.0%
United Mexican States ("**Mexico**")	Permanent Establishment in Mexico, the branch of Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd.	**30.0%**	30.0%
Republic of Singapore ("**Singapore**")	Morimatsu Pharmadule (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%
	Morimatsu Lifesciences (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%
	Morimatsu (Singapore) Pte. Ltd.(*)	**17.0%**	17.0%

* No provision for income tax was made for these companies as these companies did not have income subject to corporate income tax during the year ended 31 December 2024 and 2023 respectively.

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

*** The company was not registered during the year ended 31 December 2023.

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

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

	Applicable preferential tax rate	Period
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (森松(江蘇)重工有限公司)*	15%	2024 and 2023
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. ("**Morimatsu Pharmaceutical**") (上海森松製藥設備工程有限公司)*	15%	2024 and 2023
Shanghai Morimatsu Biotechnology Co., Ltd. ("**Morimatsu Biotechnology**") (上海森松生物科技有限公司)*	15%	2024 and 2023
Shanghai Morimatsu Engineering Technology Co., Ltd. ("**Morimatsu Engineering Technology**") (上海森松工程技術有限公司)*	15%	2024 and 2023
Morimatsu (Suzhou) LifeSciences Co., Ltd. ("**Morimatsu LifeSciences**") (森松(蘇州)生命科技有限公司)* *(Note)*	15%	2024

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

Note: Morimatsu LifeSciences is entitled as a High and New Technology Enterprise in 2024.

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

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

Pursuant to the shareholders' resolution on 18 July 2024 and 25 December 2024, Morimatsu (China) Investment Co., Ltd. decided dividends of RMB280,000,000 would be distributed to the Company in the future periods. Accordingly, the Company accrued deferred tax liabilities of RMB28,000,000 based on 10% PRC withholding tax rate.

(v) Under PRC CIT law, the deductible tax losses expire within 5 years from the year when such losses were incurred. It was mainly arising from the Morimatsu (China) Investment Co., Ltd. whose principal activity was investment holding, Shanghai Mori-Biounion Technology Co., Ltd. ("**Mori-Biounion Technology**") and Morimatsu LifeSciences, who are still at start-up stages.

6 EARNINGS PER SHARE

(a) Basic earnings per Share

The calculation of basic earnings per Share is based on the profit attributable to ordinary equity shareholders of the Company ("**Shareholders**") of RMB737,241,000 (2023: RMB844,684,000) and the weighted average of 1,191,331,000 Shares (2023: 1,163,300,000 Shares) in issue during the year, calculated as follows:

Weighted average number of Shares

	2024	2023
Issued Shares at 1 January	**1,190,092,000**	1,073,796,000
Effect of treasury Shares at 1 January	**(39,816,000)**	(20,883,000)
Effect of allotment of Shares *(Note 10(b)(i))*	**—**	77,370,000
Effect of Shares repurchase and cancelled *(Note 10(b)(iii))*	**(634,000)**	—
Effect of exercise of share options *(Note 10(b)(iv))*	**6,034,000**	3,550,000
Effect of vested restricted share units ("**RSUs**") *(Note 10(b)(iv))*	**—**	9,245,000
Effect of vested shares options exercisable for no more than little consideration *(Note (i) below)*	**35,655,000**	20,222,000
Weighted average number of Shares at 31 December	**1,191,331,000**	1,163,300,000

Note (i): The number of Shares outstanding were vested and exercisable from 28 June 2024 and 28 June 2023 for no more than little consideration, as if the Shares vested and exercised from the vesting date.

(b) Diluted earnings per Share

The calculation of diluted earnings per Share is based on the profit attributable to Shareholders of RMB737,241,000 (2023: RMB844,684,000) and the weighted average number of 1,251,044,000 Shares (2023: 1,252,495,000 Shares after adjusting for the bonus issue), calculated as follows:

Weighted average number of Shares (diluted)

	2024	2023
Weighted average number of Shares at 31 December	**1,191,331,000**	1,163,300,000
Effect of deemed issue of Shares under the Company's pre-IPO share option scheme and restricted share unit ("**RSU**") scheme	**59,713,000**	89,195,000
Weighted average number of Shares (diluted) at 31 December	**1,251,044,000**	1,252,495,000

7 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Contract assets		
Arising from revenue recognised over time	**938,869**	866,310
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(Note 8)*	**1,035,842**	1,106,792

Contract assets primarily relate to the Group's rights to consideration for work completed but not yet reached the milestones for billing at the reporting date. The Group's contracts include payment schedules which require stage payments over the delivery period once milestones are reached. Contract assets are transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Contract liabilities		
Billings in advance of performance	**1,476,247**	2,290,334

Contract liabilities primarily relate to the consideration received from customers in advance, for which revenue is recognised based on the progress of the provision of related services.

	Contract liabilities
	RMB'000
Movement in contract liabilities	
At 1 January 2023	2,890,048
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,305,474)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	1,705,760
At 31 December 2023 and 1 January 2024	**2,290,334**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(2,000,290)**
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	**1,186,203**
At 31 December 2024	**1,476,247**

8 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bills receivable *(Note (a)(i))*	**45,238**	132,887
Trade debtors net of loss allowance	**1,035,842**	1,106,792
Other debtors	**85,425**	69,389
Financial assets measured at amortised cost	**1,166,505**	1,309,068
Prepayments	**181,435**	190,304
	1,347,940	1,499,372

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Transfers of financial assets

The Group endorsed bank acceptance bills to its suppliers for settling trade payables of the same amounts on a full recourse basis. All bank acceptance bills had a maturity of less than one year from the issuance date. As at 31 December 2024, the Group did not have bill receivable (as at 31 December 2023: nil) pledged.

(i) Transferred financial assets that were derecognised in their entirety

The bills accepted by banks with high credit quality were derecognised when they were endorsed. In the opinion of the directors, the Group did not retain substantially all the risks and rewards of ownership of these bills, because the credit risk of the acceptance banks was very low and the Group had transferred out all interest risk of the bills upon endorsement. As the transferees had the practical ability to further endorse or discount the bills, control of these bills were transferred upon endorsement and thus they were derecognised. As at 31 December 2024, bills endorsed and derecognised, but yet reached maturity amounted to RMB213,210,000 (as at 31 December 2023: RMB203,861,000). This represents the Group's maximum exposure to loss should the acceptance banks fail to settle the bills on maturity date. However, non-settlement by those acceptance banks was considered unlikely.

(ii) Transferred financial assets that are not derecognised in their entirety

The other bank acceptance bills with a total carrying amount of RMB30,969,000 endorsed by the Group to its suppliers as at 31 December 2024 (as at 31 December 2023: RMB95,520,000) to settle trade payables of the same amounts, were not derecognised. In the opinion of the directors, the Group retained substantially all risks and rewards of these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated liabilities.

(b) Ageing analysis

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**277,753**	589,670
More than 3 months but less than 1 year	**434,838**	369,023
More than 1 year but less than 2 years	**273,638**	139,423
More than 2 years	**49,613**	8,676
	1,035,842	1,106,792

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

9 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bills payable	**116,775**	26,921
Trade payables	**1,076,073**	1,254,536
Other payables and accruals	**453,735**	388,393
Financial liabilities measured at amortised cost	**1,646,583**	1,669,850

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**638,085**	761,296
More than 3 months but less than 6 months	**139,691**	162,953
More than 6 months but less than 12 months	**114,704**	173,368
More than 1 year but less than 2 years	**121,368**	151,868
More than 2 years	**62,225**	5,051
	1,076,073	1,254,536

No bills payable (as at 31 December 2023: nil) was guaranteed.

All trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

10 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the reporting period are set out below:

The Company	Share capital *RMB'000* *Note 10(b)*	Treasury stock *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000* *Note 10(c)*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2023	643,657	(36,580)	695,023	(2,536)	(125,324)	1,174,240
Changes in equity for the year ended 31 December 2023						
Profit for the year	—	—	—	—	215,633	215,633
Allotment of Shares *(Note 10(b)(i))*	567,206	—	—	—	—	567,206
Other comprehensive income for the year	—	—	—	25,531	—	25,531
Equity-settled share-based transactions	—	—	91,688	—	—	91,688
Issuance and repurchase of Shares to the Company *(Note 10(b)(ii))*	37,110	(37,110)	—	—	—	—
Exercise of share option *(Note 10(b)(iv))*	54,778	34,746	(55,467)	—	—	34,057
Total change for the year	659,094	(2,364)	36,221	25,531	215,633	934,115
Balance at 31 December 2023 and 1 January 2024	1,302,751	(38,944)	731,244	22,995	90,309	2,108,355
Changes in equity for the year ended 31 December 2024						
Profit for the year	**—**	**—**	**—**	**—**	**265,240**	**265,240**
Other comprehensive income for the year	**—**	**—**	**—**	**5,108**	**—**	**5,108**
Profit distribution	**—**	**—**	**—**	**—**	**(110,810)**	**(110,810)**
Equity-settled share-based transactions	**—**	**—**	**50,845**	**—**	**—**	**50,845**
Issuance and repurchase of Shares to the Company *(Note 10(b)(ii))*	**32,074**	**(32,074)**	**—**	**—**	**—**	**—**
Repurchase of Shares to the Company *(Note 10(b)(iii))*	**—**	**(15,220)**	**—**	**—**	**—**	**(15,220)**
Cancellation of Shares to the Company *(Note 10(b)(iii))*	**(7,535)**	**7,535**	**—**	**—**	**—**	**—**
Exercise of share option *(Note 10(b)(iv))*	**23,839**	**1**	**(23,839)**	**—**	**—**	**1**
Total change for the year	**48,378**	**(39,758)**	**27,006**	**5,108**	**154,430**	**195,164**
Balance at 31 December 2024	**1,351,129**	**(78,702)**	**758,250**	**28,103**	**244,739**	**2,303,519**

(b) Share capital

	2024		2023	
	No. of shares *('000)*	***RMB'000***	No. of shares *('000)*	*RMB'000*
Shares, issued and fully paid:				
At 1 January	**1,190,092**	**1,302,751**	1,073,796	643,657
Allotment of Shares *(Note 10(b)(i))*	**—**	**—**	80,000	567,206
Issuance and repurchase of Shares to the Company *(Note 10(b)(ii))*	**33,083**	**32,074**	36,296	37,110
Cancellation of Shares to the Company *(Note 10(b)(iii))*	**(1,592)**	**(7,535)**	—	—
Exercise of share option and RSUs *(Note 10(b)(iv))*	**—**	**23,839**	—	54,778
At 31 December	**1,221,583**	**1,351,129**	1,190,092	1,302,751

In accordance with section 135 of the Companies Ordinance, the Shares do not have a par value.

(i) Allotment of Shares under the subscription

On 4 January 2023, the Board approved that a total of 80,000,000 Shares will be allotted and issued on 12 January 2023 as fully paid for cash at HKD8.30 per Share. The net proceeds (after deducting all fees, costs and expenses incurred by the Company) amount to approximately RMB567,206,000.

(ii) Issuance and repurchase of Shares to the Company

The Company issued and repurchased 24,778,000 Shares at HKD1.208 per Share for exercise of pre-IPO share option scheme on 3 June 2024 (26,476,000 Shares at HKD0.6621 on 1 June 2023).

The Company issued and repurchased 8,305,200 Shares at HKD4.17 per Share for exercise of RSU scheme on 22 November 2024 (9,819,900 Shares at HKD4.17 on 23 November 2023).

The cost of the treasury Shares which were repurchased for the purposes of equity settled share-based transactions is in the amount of RMB32,074,000 in 2024 (2023: RMB37,110,000).

(iii) Repurchase and cancellation of Shares to the Company

The Company repurchased a total of 3,666,000 Shares at a price ranging from HKD3.55 to HKD6.18 per Share during year ended 31 December 2024 (2023: nil), of which 1,592,000 Shares were cancelled.

The cost of treasury Shares repurchased for the purpose of enhancing the net asset value per Share and earnings per Share is RMB15,220,000 in 2024 (2023: nil), among which RMB7,535,000 is cancelled in 2024 (2023: nil).

(iv) Exercise of share option and RSU

The option to subscribe for an aggregate of 10,406,635 Shares, which grant date fair value is RMB2.29, were exercised in 2024 at the exercise price of RMB1,000. RMB23,839,000 was transferred from the capital reserve to the share capital account.

The option to subscribe for an aggregate of 7,956,419 Shares, which grant date fair value is RMB2.29, were exercised in 2023 at the exercise price of RMB1,000. RMB18,226,000 was transferred from the capital reserve to the share capital account.

9,269,100 RSUs were vested, and no RSUs were exercised in 2024.

9,327,555 RSUs were vested and exercised at the exercise price of RMB34,056,000 in 2023. RMB37,241,000 was transferred from the capital reserve to the share capital account.

(c) Dividends

During the year ended 31 December 2024, HKD0.1 per Share, HKD121,328,000 (equivalent to RMB110,810,000) was distributed and paid (31 December 2023: Nil).

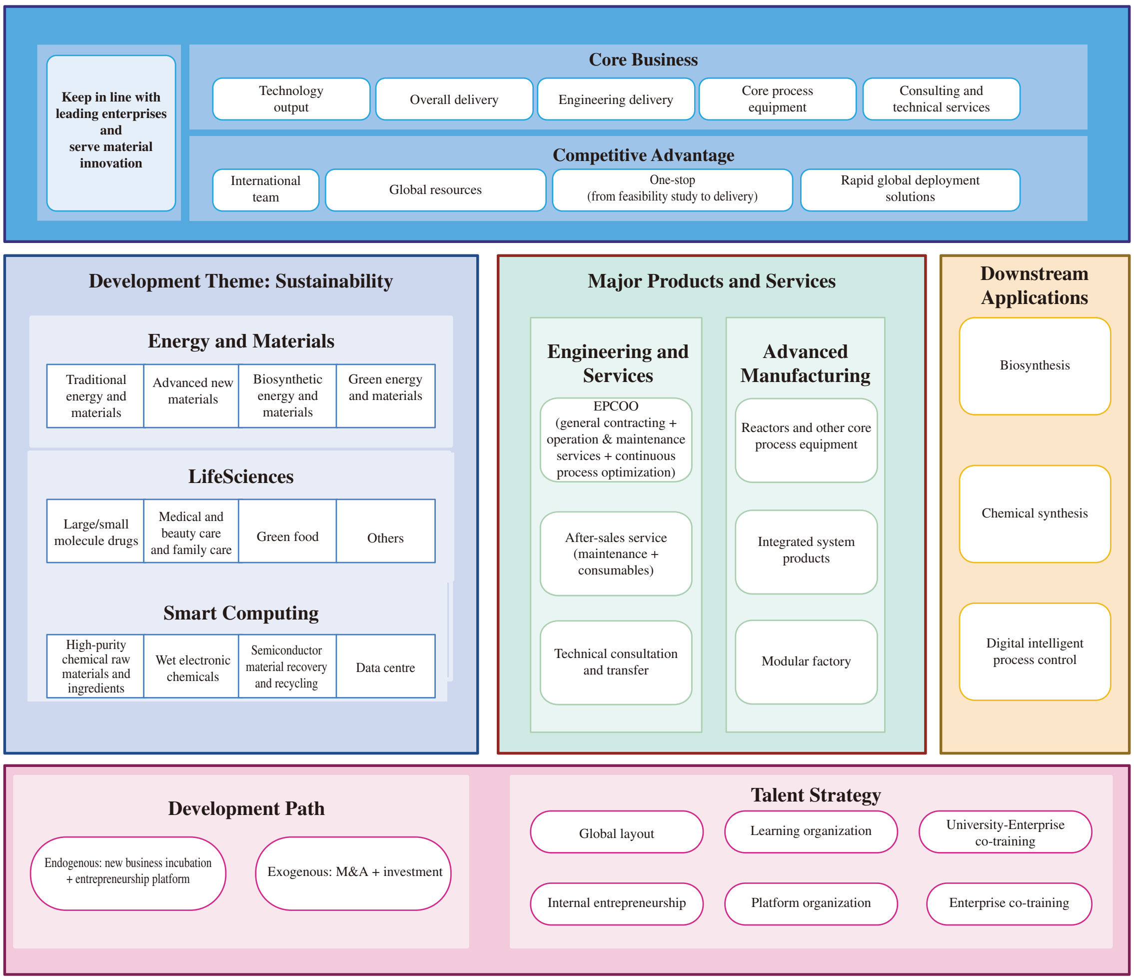
The total amount of dividends proposed after the end of the Reporting period of HKD0.15 per Share is HKD182,926,000. The final dividend proposed after the end of the Reporting period has not been recognised as a liability at the end of the Reporting period.

CORPORATE AND OPERATING STRATEGIES

Corporate Strategy

Illustration for the Corporate Strategy of the Group

Diversification + Globalization + Intelligentization



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

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

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

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

Operating Strategy

Moving beyond the traditional pre-sales consultations, equipment production, and after-sales maintenance/repair services, the Group has advanced to become a supplier and service provider capable of delivering tailored services closely aligned with customer needs, such as joint research and development, technical advice, optimization of technologies, supplies of consumables, and support for digital operations and maintenance. With its robust design and development capabilities and extensive experience in project execution, the Group is set to further delve into technology-driven outputs and transform towards a service-oriented manufacturing model. This development aims to facilitate a more seamless, efficient, environmentally friendly, and health-conscious path to sustainable development for downstream industries.

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

Product Strategy — MVP Solutions+

The technologies and products of the Group serve different application stages in downstream industries, including research and development, internal/external project initiation and financing, engineering design, construction, operation, and process improvement. The Group adheres to a market strategy that focuses on value-based services, persistent innovation, close proximity to demand, and orientation towards the future, to provide customers with products and services covering the entire life cycle from feasibility analysis, laboratory research and development, demonstration production, commercialization production to continuous process improvement, and ultimately, to form the strategy of MVP Solutions+ based on process performance, with specific products as the carrier and continual services as the platform.

MVP

Machines — Core Equipment: The core equipment, designed to achieve theoretical heat and mass transfer in large volume equipment, works to realize new material synthesis processes that are theoretically based on chemical and biological reaction equations and feasible at the practical laboratory level, at the process level production scale. These devices are generally reactors in production facilities for different products, the typical products of which include bioreactors (for the field of biopharmaceuticals), oxidation reactors (for chemical industry), protein and microbial fermentation tanks (for the fields of biopharmaceuticals and family care), hydrogenation reactors (for refinery industry), molten salt reactors (for chemical industry), vapor deposition reactors (for the field of raw materials for photovoltaic and semiconductors), and high-pressure acid leaching reactors (for the field of raw materials for power batteries).

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

Values — Value Empowerment: While providing core equipment-based products to downstream industries and customers, the Group remains committed to developing high value-added integrated products and solutions. The most common applications include process systems deployed in chemical and fine chemical, pharmaceutical and biopharmaceutical, and family care industries. These systems primarily function as integrated systems for process synthesis segments within production lines, incorporating sophisticated mechatronic product platforms and control systems. Meanwhile, the Group is working with its customers to promote device improvement and technology upgrading, the typical products of which include the modular overseas engineering centers in the fields of raw materials for power batteries, pilot production devices for lithium battery raw materials, large-scale modular products for the oil and gas and chemical industries and integrated solutions for the field of semiconductor high-purity chemical reagents.

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

The one-stop systematic solutions are compatible with regulations and industry standards in multiple countries and maximize in-plant manufacturing according to customer needs, with unique advantages in supply chain stability, project economics, and delivery security to help customers rapidly deploy capacity around the globe, deliver new technologies and realize the timely introduction of new products. The Group’s experience and strengths in the design and manufacture of core equipment in multiple fields and in the implementation of overseas projects further enhanced the reliability of systematic solutions. Application scenarios for systematic solutions include modern biopharmaceutical plants, factories for family care products, fine chemical production plants and plants for the production of raw materials for power batteries.

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

MVP Solutions+

The MVP Solutions+ refers to the product strategy that utilizes process packages as the technology carrier and continuous service as the interface for upstream and downstream interactions, in addition to the above three types of products. Its advantages mainly include:

(1) Closer to the customers' value needs, enhance customer bonding and loyalty.

(2) Closer to the development trends of the downstream industry, actively integrate into the process of customers' technology update and product iteration.

(3) Continue to improve our competitive advantages, deepen the development of the moat effect and minimize the long-term homogeneous competition.

(4) Avoid continuous investment in hardware assets and downplay the inevitable link between hardware capacity growth and business development.

(5) Continuously enhance the Group's technological attributes and continue to improve self-learning and evolutionary capabilities.

(6) Develop a unique development model for manufacturing enterprise, avoiding dependence on a single product, a single market, and realizing continuous updating and iteration of core technologies and products.

Process Packages and Continuous Service Delivery

A process package generally refers to PDP (i.e. process design package, a set of technical process packages) and performance indicators (expected values and guaranteed values of performance indicators should be listed separately, such as product output, yield, conversion rate, product quality, and characteristic indicators of consumption). It generally includes a complete set of technical documents, which set out the detailed definitions of the process flow of the production device, material and energy balance, process control interlocking requirements, equipment layout, core equipment selection, electrical and instrumentation requirements, as well as the requirements in material, environmental protection, safety, and operational aspects. Therefore, it is the most important programmatic and guiding document in the synthetic materials process.

In addition to the above, the Group's process packages include engineered solutions for core equipment and on-site startup (commissioning of the plant) services, to guarantee the operational performance of the complete system.

Through self-research, technology introduction and joint development, the Group has its own original process package products in the following fields:

(1) Photovoltaic raw materials (silicon production sector);

(2) Lithium battery raw materials (wet metallurgy process, electrolyte configuration process, additive production process, solvent recovery process, etc.);

(3) Semiconductor industry (manufacture of high-purity chemical reagents and other specialty chemicals);

(4) Specialty chemical production.

Continuous service delivery refers to the Group's utilization of its aforementioned technological reserves, product reserves and extensive global project experience to provide customers with services transcending specific product formats. Beyond addressing customers' requirements for specific product pricing (procurement budgets), the Group is dedicated to understanding the deep-rooted needs of the downstream industry, in addition to physical products, with the goal of value empowerment, the Group provides customers with a variety of forms of ancillary services and various products based on personalized customization, including project initiation consultancy, technical/commercial feasibility studies, modular solutions, industrial small test, pilot test and miniaturized solutions, assists customers to achieve the optimal configuration in terms of technological feasibility, commercialization efficiency, operational cost optimization and methods of delivery, while at the same time reducing the management and communication interfaces in the process of project execution, simplifying the project execution process and reducing execution risks.

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

UNDERLYING TECHNOLOGIES, INNOVATIVE THINKING AND SUSTAINABLE DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

DEVELOPMENT PATH — OVERSEAS EXPANSION AND BUSINESS DIVERSIFICATION

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

In the course of the Group's global operations over the past 30 years, the Group has navigated several pivotal developmental phases: 1) the demand cycle of "import substitution" in the PRC market, 2) the cycle of whole industrial chain construction in the PRC market, 3) the cycle of global sourcing in overseas markets, 4) the cycle of industrialization in developing countries, and 5) the cycle of diversification of supply chain in the current global market. It has always been the cornerstone of the Group's corporate strategy to continuously meet the diversified needs of our customers in different industries and internationally during different demand cycles.

Different business segments of the Group have always targeted various downstream industries, with the goal of breaking into the global supply chains of the leading enterprises in these sectors, particularly the supply chains and value chains of core equipment, complete sets of equipment and core technologies. So far, the Group has successfully entered the lists of first-line suppliers and strategic partners of global leading enterprises in the fields of oil and gas refinery, chemical, pharmaceutical and biopharmaceutical, and raw materials for power batteries. The Group has repeatedly succeeded in the first export of the same kind of goods from the PRC, among which typical cases of exports include:

In 2002, the Group undertook the first overseas project, and this was the first time that China exported chemical equipment to Europe in accordance with Pressure Equipment Directive (PED) specifications.

In 2004, the Group undertook the first overseas family care equipment project.

In 2005, the Group undertook the first overseas biopharmaceutical project.

In 2008, the Group undertook the first overseas modular production equipment project.

In 2011, the Group undertook the first overseas new energy vehicle lithium battery raw material project (modular production equipment).

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

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

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

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

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

The Group's business strategy of "leading international enterprises in the long run and actively serving the material innovation industry" requires the Group to establish itself as a truly international brand. An international brand is not only defined by the ability to export products but also by the capacity to build and utilize global resources and serve customers worldwide. This capability is reflected in the formulation of common corporate technology standards, the establishment of cross-national and cross-sector teams, the operation of overseas branches, and the participation in cross-border mergers and acquisitions ("**M&A**").

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

Deepening its presence in overseas markets, the Group is committed to building itself into a comprehensive multinational enterprise with global operations, research and development capabilities in Europe and the U.S., manufacturing bases in the Asia-Pacific region, and localized service capabilities. By fully integrating technological resources and industry first-mover advantages from developed industrialized regions, the Group aims to transform its global network of branches into efficient solution platforms, pre-and post-sales service platforms, and regional business expansion platforms. Currently, the Company has its own subsidiaries and offices in the following countries and regions:

(1) China — operating headquarters, manufacturing bases, design and engineering centers

(2) Hong Kong — registered office

(3) Japan — technical and engineering service center

(4) India — engineering and project service center

(5) Italy — advanced technology and project service center

(6) Singapore — advanced technology and project service center

(7) Sweden — technical and project service center

(8) U.S. — technical and project service center

(9) Mexico — engineering and project service center

(10) Malaysia — manufacturing base and project service center

CORPORATE SUSTAINABLE GROWTH AND INVESTMENT STRATEGY

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

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

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

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

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

OPERATING STATUS AND RESPONSE STRATEGIES

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

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

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

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

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

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

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

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

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

REVIEW OF FINANCIAL DATA

Revenue

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

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

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

Raw materials of power battery include mining and metallurgy industry.

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

Electronic Chemical

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

Chemical

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

Family Care

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

Raw Materials of Power Battery

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

Oil and Gas Refinery

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

Pharmaceutical and Biopharmaceutical

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

Other Income

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Research and Development Expenses

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

Finance Costs

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

Income Tax Expenses

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

Impairment Loss on Trade Receivables and Contract Assets

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

Net Profit and Net Profit Margin

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

Non-HKFRS Measures

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

EBITDA

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

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

Property, Plant and Equipment

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

Trade and Other Receivables

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

Inventories

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

Contract Liabilities

The contract liabilities of the Group decreased by approximately 35.5%, from approximately RMB2,290,334,000 as at 31 December 2023 to approximately RMB1,476,247,000 as at 31 December 2024, mainly due to the recognition of revenue from certain large-value orders for which the control was transferred at the point in time during the Reporting Period.

Borrowings and Gearing Ratio

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

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

Gearing ratio is calculated using interest-bearing borrowings divided by total equity. The gearing ratio of the Group decreased from approximately 8.3% as at 31 December 2023 to approximately 4.1% as at 31 December 2024, mainly due to the decrease in the balance of the borrowings of the Group and the increase in reserves arising from earnings.

Liquidity and Capital Resources

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

The liquidity of the Group mainly includes cash generated from operating activities, net proceeds from the placement and issue of equity securities and the global offering, and bank borrowings. The liquidity requirements mainly include general working capital and capital expenditures.

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

As at 31 December 2024, the Group had total bank facilities of RMB2,005,000,000, USD274,500,000, Swedish Krona 300,000,000 and Japanese Yen ("**JPY**") 18,300,000,000 (aggregately equivalent to approximately RMB5,021,230,000), of which, used bank facilities were approximately RMB619,181,000, USD97,329,000, Euro 31,667,000, JPY82,000,000, Singapore Dollar 7,798,000 and Ringgit ("**RM**") 526,000 (aggregately equivalent to approximately RMB1,603,278,000), and unused bank facilities were equivalent to approximately RMB3,417,952,000.

Charges on Assets

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

Contingent Liabilities and Guarantees

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

Significant Investments, Acquisitions and Disposals

Pursuant to the supplemental agreement to the joint venture agreement dated January 2024, the two investors of Morimatsu Dialog (Malaysia) Sdn. Bhd. ("**Morimatsu Dialog**") amended the terms of the joint venture agreement dated August 2021. Since January 2024, the Company has directly retained 51% equity interest and has obtained control of the joint venture to enhance synergies in the management of the Group, while the other investor has only retained a protective right.

In January 2024, Morimatsu Technology and Service Company Limited ("**Morimatsu T&S**") subscribed for 140,056 preference shares of 3DC Inc., a company established in Japan, with a total subscription amount of JPY49,999,992. Upon the completion of share subscription, Morimatsu T&S holds approximately 2.82% equity interest in 3DC Inc..

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

In March 2024, the Company established a new wholly-owned subsidiary, Morimatsu International Investment Company Limited, with a registered capital of Hong Kong dollars ("**HK$**" or "**HKD**") 10,000, primarily engaged in investment holding.

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

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

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

In October 2024, the Company established a new joint venture, Morsburn Engineering and Technology LLC ("**MET US**"). The registered capital of MET US is USD2,000, in which the Company indirectly holds 51% equity interest. MET US primarily provides advanced photovoltaic material technologies, production equipment and engineering project services.

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

Save as disclosed above, the Group did not hold any other significant investments, nor did it have any material acquisitions or disposals of subsidiaries during the Reporting Period, and the Group did not have any definitive future plans for material investments or capital asset acquisitions as at 31 December 2024.

Important Events after the Reporting Period

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

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

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

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had a total of approximately 4,565 employees, among which nearly 500 were research and development personnel, accounting for more than 10% of the total number of employees. The Group has a comprehensive remuneration and welfare system and an effective performance appraisal system as required by laws, and determines the remuneration of employees based on their positions and performance. The Group's remuneration policies seek to provide fair market remuneration in form and value to attract, retain and motivate high quality staff. Remuneration packages are set at comparable and competitive levels with other companies in the industry and the market to compete for a similar talent pool.

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above. All contributions to the defined contribution retirement scheme are recognised as an expense in profit or loss when the services are rendered by the employees and when they fall due under the relevant regulations. For the defined contribution retirement scheme, no forfeited contributions could be used by employer to reduce the existing level of contributions.

The Company has also adopted a pre-IPO share option scheme, a post-IPO share option scheme and a RSU scheme. Specific information will be available in the annual report of the Company for the Reporting Period.

RESULTS AND DIVIDENDS

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

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

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

AGM AND CLOSURE OF REGISTER OF MEMBERS

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

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

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

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Month	**Number of repurchased Shares**	**Price paid per Share**		**Aggregate consideration**
		Highest	**Lowest**	
		(HKD)	***(HKD)***	***(HKD)***
April 2024	170,000	4.53	4.3	756,549.60
May 2024	987,000	5.15	4.74	4,879,228.10
June 2024	435,000	6.18	5.84	2,603,244.80
August 2024	560,000	4.02	3.69	2,154,390.9
September 2024	560,000	3.86	3.55	2,061,500.0
October 2024	322,000	4.83	4.63	1,515,877.1
November 2024	344,000	4.4	4.19	1,487,554.0
December 2024	288,000	4.1	3.97	1,166,782.8
Total	3,666,000	—	—	16,625,127.30

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct for securities transactions by Directors. During the Reporting Period, having made specific enquiry to all Directors, they have confirmed that they have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises one non-executive Director, Mr. Matsuhisa Terumoto, and two independent non-executive Directors, Ms. Chan Yuen Sau Kelly and Mr. Kanno Shinichiro. The chairperson of the Audit Committee is Ms. Chan Yuen Sau Kelly.

The Group's annual results for the Reporting Period have been reviewed by the Audit Committee.

AUDITOR

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

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the Reporting Period. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.morimatsu-online.com). The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 27 March 2025

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