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Morimatsu International Holdings Company Limited

森松國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2155)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

The board (the “**Board**”) of directors (the “**Directors**”) of Morimatsu International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (the “**Interim Period**” or “**Reporting Period**”) to the shareholders of the Company.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2025	2024
	RMB	RMB
	(unaudited)	(unaudited)
Revenue	2,687,283,000	3,476,752,000
Gross profit	788,786,000	1,028,448,000
Gross profit margin	29.4%	29.6%
Net profit	333,008,000	373,827,000
Net profit margin	12.4%	10.8%
Amount of new orders	5,995,580,000	3,164,404,000
EBITDA ^{Note}	523,335,000	556,094,000
Basic earnings per Share	0.28	0.32
Diluted earnings per Share	0.27	0.30
	As at 30 June	
	2025	2024
	RMB	RMB
	(unaudited)	(unaudited)
Aggregated amount of the transaction price allocated to the remaining performance obligations under existing contracts	10,566,215,000	8,776,495,000

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2025 – unaudited

		Six months ended 30 June	
	Note	2025	2024
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	2,687,283	3,476,752
Cost of sales		<u>(1,898,497)</u>	<u>(2,448,304)</u>
Gross profit		788,786	1,028,448
Other income	4	139,997	60,689
Selling and marketing expenses		(86,883)	(81,158)
General and administrative expenses		(298,629)	(264,573)
Research and development expenses		(113,902)	(219,020)
Impairment loss recognised on trade receivables and contract assets		<u>(22,146)</u>	<u>(51,731)</u>
Profit from operations		407,223	472,655
Finance costs	5(a)	(4,872)	(4,966)
Shares of results of associates		<u>(128)</u>	<u>(202)</u>
Profit before taxation	5	402,223	467,487
Income tax	6	<u>(69,215)</u>	<u>(93,660)</u>
Profit for the period		<u>333,008</u>	<u>373,827</u>
Attributable to:			
Equity shareholders of the Company		337,743	375,886
Non-controlling interests		<u>(4,735)</u>	<u>(2,059)</u>
Profit for the period		<u>333,008</u>	<u>373,827</u>
Earnings per share	7		
Basic (RMB)		<u>0.28</u>	<u>0.32</u>
Diluted (RMB)		<u>0.27</u>	<u>0.30</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025 – unaudited

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	333,008	373,827
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	(5,602)	809
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	18,375	(6,072)
Other comprehensive income for the period	12,773	(5,263)
Total comprehensive income for the period	345,781	368,564
Attributable to:		
Equity shareholders of the Company	340,213	371,199
Non-controlling interests	5,568	(2,635)
Total comprehensive income for the period	345,781	368,564

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025 – unaudited

	<i>Note</i>	As at 30 June 2025 <i>RMB'000</i> (unaudited)	As at 31 December 2024 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		2,515,939	2,398,082
Right-of-use assets		248,111	243,646
Intangible assets		53,939	53,710
Interests in associates		64,742	64,870
Interest in joint venture		7	7
Financial assets measured at fair value through profit or loss (“FVPL”)		13,313	13,313
Deferred tax assets		24,136	22,318
Other non-current assets		28,214	33,101
		<hr/> 2,948,401	<hr/> 2,829,047
Current assets			
Inventories		1,022,649	797,243
Contract assets		1,116,032	938,869
Trade and other receivables	8	1,371,229	1,347,940
Financial assets measured at fair value through profit or loss (“FVPL”)		588,948	396,598
Restricted cash		30,359	3,188
Cash and bank deposits		2,584,568	2,595,448
		<hr/> 6,713,785	<hr/> 6,079,286

		As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000
	<i>Note</i>		
Current liabilities			
Trade and other payables	9	1,757,217	1,646,583
Contract liabilities		1,918,212	1,476,247
Financial liabilities measured at fair value through profit or loss (“FVPL”)		—	557
Interest-bearing borrowings		135,199	87,906
Lease liabilities		36,507	27,233
Current taxation		72,855	108,931
Provisions		27,598	30,386
		<u>3,947,588</u>	<u>3,377,843</u>
Net current assets		<u>2,766,197</u>	<u>2,701,443</u>
Total assets less current liabilities		<u>5,714,598</u>	<u>5,530,490</u>
Non-current liabilities			
Interest-bearing borrowings		81,284	126,279
Lease liabilities		52,040	54,376
Deferred tax liabilities		10,034	28,001
Deferred income		47,536	45,978
		<u>190,894</u>	<u>254,634</u>
Net assets		<u>5,523,704</u>	<u>5,275,856</u>
Capital and reserves			
Share capital	10(c)	1,412,341	1,351,129
Reserves		<u>3,877,218</u>	<u>3,697,230</u>
Total equity attributable to equity shareholders of the Company		5,289,559	5,048,359
Non-controlling interests		<u>234,145</u>	<u>227,497</u>
Total equity		<u>5,523,704</u>	<u>5,275,856</u>

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi yuan unless otherwise indicated)

1 BASIS OF PREPARATION

(a) Basis of preparation

The preliminary announcement of the Company's interim results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 28 August 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

The financial information relating to the financial year ended 31 December 2024 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "**Companies Ordinance**") (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of Hong Kong Financial Reporting Standards (“HKFRSs”) 15		
Disaggregated by major products or service lines		
— core equipment	819,651	1,249,383
— reactor	237,126	664,387
— heat exchanger	162,692	351,164
— tank	217,829	79,271
— tower	202,004	154,561
— modular pressure equipment	1,768,903	2,143,433
— others*	10,872	11,108
Sales of products	2,599,426	3,403,924
— Pressure equipment design, validation, and maintenance service	87,857	72,828
Service	87,857	72,828
Revenue of operations	2,687,283	3,476,752

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Point in time	1,942,619	2,372,607
Over time	744,664	1,104,145
Total	<u>2,687,283</u>	<u>3,476,752</u>

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

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues of six months ended 30 June 2025 (six months ended 30 June 2024: one). Revenues from those customers are set out below:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A	403,749	*
Customer B	*	355,367

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

(ii) Geographic information

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	746,294	1,524,316
North America	550,791	549,514
Asia (excluding Mainland China)	1,089,863	1,005,229
Europe	240,585	99,951
Others (<i>Note</i>)	59,750	297,742
Total	<u>2,687,283</u>	<u>3,476,752</u>

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

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

(b) Segment reporting

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

4 OTHER INCOME

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (i)	4,765	12,761
Interest income	38,764	25,697
Net realised gains on monetary fund	3,691	3,094
Net realised gains on forward exchange contracts	369	—
Net foreign exchange gains	12,983	19,714
Changes in fair value of financial assets and liabilities	2,706	835
Net loss on disposal of property, plant and equipment	(1,030)	(342)
Relocation allowance (ii)	65,924	—
Others	11,825	(1,070)
	<u>139,997</u>	<u>60,689</u>

- (i) Government grants mainly include: (a) grants relating to expenses which represent unconditional grants received from local government to encourage the Group's development; and (b) grants relating to assets which represent the amortisation of deferred income.
- (ii) The relocation allowance compensates for the relocation of leased property from Shanghai Morimatsu Chemical Equipment Co., Ltd.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2025	2024
		RMB'000	RMB'000
		(unaudited)	(unaudited)
(a)	Finance costs:		
	Interest on interest-bearing borrowings	3,029	4,133
	Interest on lease liabilities	1,843	833
		<u>4,872</u>	<u>4,966</u>
(b)	Staff costs:		
	Salaries, wages and other benefits	578,246	514,581
	Equity-settled share-based payment expenses (Note 10(b))	36,050	29,425
	Contributions to defined contribution retirement plans (i)	<u>62,688</u>	<u>58,926</u>
		<u>676,984</u>	<u>602,932</u>

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

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

		Six months ended 30 June	
		2025	2024
		RMB'000	RMB'000
		(unaudited)	(unaudited)
(c)	Other items:		
	Amortisation of intangible assets	12,607	9,884
	Depreciation charge		
	— owned property, plant and equipment	85,211	68,023
	— right-of-use assets	18,422	5,734
	Research and development costs (i)	113,902	219,020
	Increase in provisions	2,761	6,098
	Cost of inventories (ii)	1,898,497	2,448,304
	Inventory write-down and losses net of reversals	<u>10,094</u>	<u>6,572</u>
(i)	Research and development costs included staff costs of Renminbi (“RMB”) 57,823,000 (six months ended 30 June 2024: RMB107,820,000), depreciation and amortisation expenses of RMB4,328,000 (six months ended 30 June 2024: RMB5,297,000) for the six months ended 30 June 2025, which are also included in the respective total amounts disclosed separately above or in Note 5(b).		
(ii)	Cost of inventories included staff costs of RMB364,934,000 (six months ended 30 June 2024: RMB323,073,000), depreciation and amortisation expenses of RMB67,299,000 (six months ended 30 June 2024: RMB61,954,000) for the six months ended 30 June 2025, which are also included in the respective total amounts disclosed separately above or in Note 5(b).		

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
Provision for the year	<u>89,000</u>	<u>113,261</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>(19,785)</u>	<u>(19,601)</u>
Actual tax expense	<u>69,215</u>	<u>93,660</u>

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

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

Country and region	Company	Six months ended 30 June	
		2025	2024
Hong Kong Special Administrative Region of the PRC (“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%	16.5%
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	Pharmadule Engineering India Private Limited(*)	25.17%	25.17%
Federation of Malaysia (“Malaysia”)	Morimatsu Dialog (Malaysia) SDN. BHD.(*)	24.0%	24.0%
	Morimatsu Engineering & Technology (Malaysia) SDN. BHD. (“MET Malaysia”)(*)(***)	24.0%	24.0%

Country and region	Company	Six months ended 30 June	
		2025	2024
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. (“Pharmadule Singapore”)	17.0%	17.0%
	Morimatsu Lifesciences (Singapore) Pte. Ltd. (“Lifesciences Singapore”)(*)	17.0%	17.0%
	Morimatsu (Singapore) Pte. Ltd. (“Morimatsu Singapore”)(*)	17.0%	17.0%
Kingdom of Thailand (“Thailand”)	Morimatsu (Thailand) Co., Ltd. (“Morimatsu Thailand”)(*)(***)	<u>20.0%</u>	<u>20.0%</u>

* No provision for income tax was made for these companies as these companies did not have income subject to corporate income tax during the six months ended 30 June 2025 and 2024 respectively.

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

*** These companies were not registered during the six months ended 30 June 2024.

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

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

	Applicable preferential tax rate	Period
Shanghai Morimatsu Pharmaceutical Equipment Engineering Co., Ltd. (“ Morimatsu Pharmaceutical ”) (上海森松製藥設備工程有限公司)*	15%	2024–2025
Morimatsu (Jiangsu) Heavy Industry Co., Ltd. (“ Morimatsu Heavy Industry ”) (森松(江蘇)重工有限公司)*	15%	2024–2025
Shanghai Morimatsu Biotechnology Co., Ltd. (“ Morimatsu Biotechnology ”) (上海森松生物科技有限公司)*	15%	2024–2025
Shanghai Morimatsu Engineering Technology Co., Ltd. (“ Morimatsu Engineering Technology ”) (上海森松工程技術有限公司)*	15%	2024–2025
Morimatsu (Suzhou) LifeSciences Co., Ltd. (“ Morimatsu LifeSciences ”) (森松(蘇州)生命科技有限公司)*	15%	2024–2025

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

- (iii) Under the CIT Law of the PRC and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 200% on the amount actually incurred for each of the year ended 31 December 2025 and 2024.
- (iv) According to the CIT Law and its implementing regulations of the CIT Law, for dividends payable to investors that are non-resident enterprise (who do not have organisations or places of business in the PRC, or that have organisations and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate (or a lower tax treaty rate (if applicable)).
- (v) Under PRC CIT law, the deductible tax losses expire within 5 years from the year when such losses were incurred. It mainly arose from Morimatsu (China) Investment Co., Ltd. (“**Morimatsu China**”) whose principal activity was investment holding, Morimatsu LifeSciences, Morimatsu Engineering Technology and Shanghai Mori-Biounion Technology Co., Ltd..

(b) Pillar Two income tax

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

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

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

The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB337,743,000 (six months ended 30 June 2024: RMB375,886,000) and the weighted average of 1,202,925,000 ordinary shares (2024: 1,169,729,000 shares) in issue during the Interim Period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB337,743,000 (six months ended 30 June 2024: RMB375,886,000) and the weighted average number of ordinary shares of 1,257,894,000 (2024: 1,239,937,000 shares).

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2025 <i>RMB’000</i> (unaudited)	As at 31 December 2024 <i>RMB’000</i>
Bills receivable	70,775	45,238
Trade debtors net of loss allowance	947,551	1,035,842
Other debtors	128,374	85,425
	<hr/>	<hr/>
Financial assets measured at amortised cost	1,146,700	1,166,505
	<hr/>	<hr/>
Prepayments	224,529	181,435
	<hr/>	<hr/>
	1,371,229	1,347,940
	<hr/>	<hr/>

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

	As at 30 June 2025 <i>RMB'000</i> (unaudited)	As at 31 December 2024 <i>RMB'000</i>
Within 3 months	302,240	277,753
More than 3 months but less than 1 year	246,109	434,838
More than 1 year but less than 2 years	334,516	273,638
More than 2 years	64,686	49,613
	<u>947,551</u>	<u>1,035,842</u>

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

9 TRADE AND OTHER PAYABLES

	As at 30 June 2025 <i>RMB'000</i> (unaudited)	As at 31 December 2024 <i>RMB'000</i>
Bills payable	121,749	116,775
Trade payables	1,103,597	1,076,073
Other payables and accruals	531,871	453,735
	<u>1,757,217</u>	<u>1,646,583</u>

Financial liabilities measured at amortised cost

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

	As at 30 June 2025 <i>RMB'000</i> (unaudited)	As at 31 December 2024 <i>RMB'000</i>
Within 3 months	662,533	638,085
More than 3 months but less than 6 months	136,619	139,691
More than 6 months but less than 12 months	96,938	114,704
More than 1 year but less than 2 years	106,789	121,368
More than 2 years	100,718	62,225
	<u>1,103,597</u>	<u>1,076,073</u>

10 CAPITAL AND RESERVES

(a) Dividend

No dividends attributable to the Interim Period was declared by the Board during the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

The Board has resolved to declare dividends attributable to the previous financial year of Hong Kong Dollar (“**HKD**” or “**HK\$**”) 0.15 per ordinary share, HKD182,926,000 in total (six months ended 30 June 2024: HKD0.10 per ordinary share, HKD121,328,000 in total), and is unpaid as of 30 June 2025.

After the end of the Reporting Period, the board of the Company’s subsidiary has resolved to declare dividends attributable to the Interim Period of RMB100,000,000 to the Company.

(b) Equity-settled share-based transactions

The Company has a share option scheme (the “**Pre-IPO Share Option Scheme**”) which was adopted on 1 July 2020 whereby the Directors are authorised, at their discretion, to invite employees and directors of the Group, to take up options at HKD1.00 for each acceptance of the share offer. The vesting period of five years started after one year from the listing date (28 June 2021) and are then exercisable within a period of five years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

As at 1 July 2020, the Company has conditionally granted options to subscribe for an aggregate of 132,380,000 ordinary shares to 27 participants (including employees and directors of the Group) in consideration of an option price of HKD0.0001 for each acceptance of an offer of options under the Pre-IPO Share Option Scheme.

The Group recognised an expense of RMB13,164,000 in the six months period ended 30 June 2025 (six months ended 30 June 2024: RMB23,012,000), which is by reference to the fair value of the options granted on the measurement date (also referred as “grant date” herein), and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

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

As of 31 December 2024, all expenses related to the RSU Scheme have been recognised.

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

Morimatsu Pharmaceutical, the subsidiary of the Group, has a Restricted Share Scheme (the “**RS Scheme**”) which was adopted on 30 September 2024 whereby 12,868,710 restricted shares (“**RSs**”) were granted to 16 qualified employees on 30 September 2024, at the exercise price of RMB2 per restricted share. The RSs vest under one of the following approaches:

- 26% of the RSs which granted with a three-year service period, vest after three years from 1 January 2025, and are exercisable after vested.
- 62% of the RSs which granted with a six-year service period and subject to non-market performance condition, vest after six years from 1 January 2025, and are exercisable after vested.
- 12% of the RSs which granted with a six-year service period and subject to non-market performance condition, are exercisable from 1 January 2032, one year after vested.

The Group recognised an expense of RMB22,886,000 in the six months period ended 30 June 2025 (six months ended 30 June 2024: nil), which is by reference to the fair value of the ordinary shares on the grant date, and will recognise relevant cost for services received over the remaining vesting periods, in administrative expenses and capital reserve, respectively.

(c) Share capital

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

The Company issued and repurchased 25,910,000 ordinary shares at HK\$1.1964 per share for exercise of Pre-IPO Share Option Scheme on 4 June 2025 (24,778,000 ordinary shares at HK\$1.208 on 3 June 2024).

During the six months ended 30 June 2025, no ordinary shares were issued or repurchased in connection with the RSU Scheme (six months ended 30 June 2024: nil).

The cost of the treasury shares which were repurchased for the purposes of equity settled share-based transactions is in the amount of RMB2,000 during the six months period ended 30 June 2025 (six months ended 30 June 2024: RMB2,000).

(ii) Exercise of share option and RSUs

The option to subscribe for an aggregate of 13,410,575 ordinary shares, which grant date fair value is RMB2.29, were exercised in the six months period ended 30 June 2025 at the exercise price of RMB1,000. RMB30,720,000 was transferred from the capital reserve to the share capital account.

The option to subscribe for an aggregate of 4,676,227 ordinary shares, which grant date fair value is RMB2.29, were exercised in the six months period ended 30 June 2024 at the exercise price of less than RMB1,000. RMB10,712,000 was transferred from the capital reserve to the share capital account.

9,269,100 RSUs were vested and exercised at the exercise price of RMB35,410,000 in the six months period ended 30 June 2025. RMB37,792,000 was transferred from the capital reserve to the share capital account.

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

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

The Company cancelled a total of 2,074,000 treasury shares at a price ranging from HK\$3.55 to HK\$4.83 per share during the six months period ended 30 June 2025.

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

(d) Other reserve

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

(e) Investments in subsidiaries

On 27 January 2025, Morimatsu Singapore, a subsidiary of the Company, set up a new subsidiary, MET Malaysia, holds 100% of the shares and has control over MET Malaysia. The registered capital of MET Malaysia is Malaysian Ringgit (“MYR”) 3,000,000 which was fully paid as at 30 June 2025.

On 13 February 2025, Morimatsu Biotechnology, a subsidiary of the Company, set up a new subsidiary, Shanghai MoriSora Technology Co., Ltd. (上海森紘科技有限公司) (“**MoriSora Technology**”), with four independent third parties and holds 70% of the shares in MoriSora Technology. The registered capital of MoriSora Technology is RMB12,000,000 of which RMB3,600,000 was paid as at 30 June 2025.

On 30 April 2025, Lifesciences Singapore and Pharmadule Singapore, subsidiaries of the Company, entered into a share transfer agreement with two third parties, pursuant to which, Lifesciences Singapore and Pharmadule Singapore agreed to acquire 80% and 20% shares of Morimatsu Thailand respectively. The registered capital of Morimatsu Thailand is THB2,000,000 and is unpaid as at 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

HIGH CERTAINTY OF PERFORMANCE IN AN UNCERTAIN ENVIRONMENT

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

During the Reporting Period, the Group continued to cope with the challenges arising from multiple macro-environmental changes at the operational level: (1) rapid contraction in demand from key end markets, (2) drastic fluctuations in the international geopolitical environment, (3) localized overcapacity in key downstream industries, and (4) adjustments to the global low-carbon policy. In the face of continuous decline in overall market demand, the Group has continued to cultivate existing markets globally while exploring new areas by leveraging its deterministic Alpha strategy, supported by its dynamic Beta advantage, and focusing on serving its customer base of leading global and regional enterprises, which has ultimately led to a rapid rebound in order performance when it bottomed out, and has continued to enhance the certainty of its performance with greater certainty.

Deterministic Alpha Strategy

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

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

Dynamic Beta Advantage

The core competitiveness of an enterprise is reflected in four dimensions: the ability to innovate for the industry, the ability to respond to customers, the ability to look ahead with early warning and self-adjustment, and the ability to adjust to changes in demand. In the process of building a deterministic Alpha capability, the differentiated competitive advantage in a single sector is crucial. However, this advantage cannot be established in the short term during the uptrend stage of the industry cycle (even in the initial stage). Only long-term accumulation of industry recognition and customer cooperation experience and technological reserves can support the enterprise in the uptrend of the cycle to respond quickly to the demand and seize the competitive opportunity.

The Group has achieved a high degree of versatility and compatibility in terms of human resources, underlying technology layout and hardware resources. Except for a small number of specialized craftsmen focusing on specific industries, most management personnel, engineering technicians and manufacturing staff possess the capability to serve multiple industries and products. The manufacturing bases can also quickly switch their service scenarios through localized adjustments according to the fluctuation of the downstream industry cycle, to meet the needs of different industries and products.

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

MARKET STRATEGY

Market-Specific Demand Cycles

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

PRODUCT STRATEGY

Service Oriented, CAPEX+OPEX

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

Operational expenses ("OPEX") estimation and economic benefit analysis are front-end services provided by the Group to customers at the project initiation stage based on the Group's own technology, project experience and industry supply chain information. This type of service assists customers to determine the type of technology to be invested in, the process flow, energy consumption index, operating break-even point and other key indicators that will be encountered when the project starts the operation stage, providing a scientific and quantitative basis for customers' final decision. The provision of OPEX analysis to customers can greatly enhance customers' reliance on the Group in terms of technology and at the same time fundamentally avoid homogenized competition at the later stage of CAPEX implementation.

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

CUSTOMER RELATIONSHIPS

Multinational Corporations

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

The Group is committed to building itself into a comprehensive multinational enterprise with global operations, research and development ("R&D") capabilities in Europe and the U.S., manufacturing bases in the Asia-Pacific region, and localized service capabilities. By fully integrating technological resources and industry first-mover advantages from developed industrialized regions, the Group aims to transform its global network of branches into efficient solution platforms, pre-and post-sales service platforms, and regional business expansion platforms. Currently, the Company has its own subsidiaries and offices in the following countries and regions: (1) China — operating headquarters, manufacturing bases, design and engineering centers; (2) Hong Kong — registered office; (3) Japan — technical and engineering service center; (4) India — engineering and project service center; (5) Italy — advanced technology and project service center; (6) Singapore — advanced technology and project service center; (7) Sweden — technical and project service center; (8) U.S. — technical and project service center; (9) Mexico — engineering and project service center; (10) Malaysia — manufacturing base and project service center; and (11) Thailand — engineering and project service center.

Establishment, Maintenance and Development of Customer Relationships

The core competitiveness of the Group lies in the in-depth partnerships it has built with leading enterprises in various industries over a long period. Based on mutual empowerment, the Group jointly researches and develops technologies and products targeting the most cutting-edge needs of the market at different stages of the development of the enterprises, thereby facilitating mutual growth. In response to the needs of multinational enterprises in different times, the Group has adopted different service strategies, including the establishment of technology and service centers around the world and the continuous internationalization of human resources and hardware production capacity, to ultimately possess the comprehensive capabilities of trans-oceanic manufacturing, multinational service and global delivery. In general, the Group's future should always be integrated with the future of the leading companies in various industries, and the technology and product development trends of the Group always can quickly respond to the requirements of advanced technology and product development in different downstream industries.

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.

MARKET OUTLOOK IN MAJOR DOWNSTREAM INDUSTRY

LifeSciences

Pharmaceutical and Biopharmaceutical

According to a research report issued by CMBC Securities Company Limited (民銀證券有限公司) on March 5, 2025, the work tasks related to the pharmaceutical industry in the Government Work Report (《政府工作報告》) (the “**Work Report**”) delivered by the Premier of the State Council of the PRC (the “**State Council**”) in March 2025 are summarized as follows: (1) “Improve the drug pricing mechanism, establish an innovative drug catalog, and support the development of innovative drugs and medical devices”. This is the first time that the Work Report mentions supporting the development of innovative drugs, and it is expected that more policies and measures will be introduced in respect of drug pricing and the catalog of innovative drugs. Measures of greater concern to the pharmaceutical market, such as the establishment of class C drug reimbursement catalog and commercial health insurance, will broaden the payment channels for innovative drugs and open the domestic market for innovative drugs. (2) “Optimize the procurement policy for medicines and consumables, and strengthen quality assessment and supervision, so that the public can use medicines with greater peace of mind”. The optimization of the drug procurement policy will shift the focus from “price reduction” to “drug quality and price reduction”, which does not imply a slowdown in drug procurement, but will help to continue to improve the quality and extend coverage of drug procurement in the future. (3) “Deepening the reform of the payment method of medical insurance”, which will further promote the immediate settlement of medical insurance of designated medical institutions, reduce the pressure of capital turnover of medical institutions and pharmaceutical enterprises, and optimize the distribution of value in the industrial chain.

The research report suggests that the synergistic development and governance of the “three medicines” (medical, pharmaceutical and health insurance) will remain a key focus in 2025, and that the government’s working task will guide the pharmaceutical industry to focus on innovation and long-term healthy development. The Work Report mentions “vigorously developing the silver economy”, and the purchase and rental of rehabilitation aids and healthcare-integrated industries related to aging will be supported by policy. According to the “Guiding Opinions on Improving the Long-term Mechanism of Basic Medical Insurance Enrollment” (《關於健全基本醫療保險參保長效機制的指導意見》) issued by the General Office of the State Council in August 2024, the extension of the coverage of individual accounts for workers’ medical insurance from family members to close relatives and the increase of the cap line for major disease insurance for eligible participants are supported. These policies are conducive to the revival of medical consumption and stimulate the growth of medical consumption, which will bring more market space for innovative drugs.

Despite the previous cyclical downturn in the global biopharmaceutical industry, the Group has maintained close relationships with industry-related companies and personnel, and continued to accumulate a reserve of talents and technologies. Through a flexible, efficient and green modularization approach, the Group helped its customers realize the in-depth integration of factory modules and process modules, which significantly reduced production costs while ensuring product quality. During the Reporting Period, the Group undertook the first modularized pharmaceutical plant for a leading company in the core pharmaceutical market in North Africa and completed the production of nearly 90 highly integrated modules in just over three months, with all the lifting completed and on-site acceptance passed within one month. Meanwhile, recognizing the revival of investment in the pharmaceutical sector, the Group took advantage of its first-mover advantage and secured several domestic and overseas capital expenditure projects orders from leading contract x organizations and biopharmaceutical companies during the Reporting Period.

Energy and Materials

Raw materials of power battery

According to the research report released by China Dragon Securities Co., Ltd. (華龍證券股份有限公司) in May 2025, the development of solid-state battery is not only necessary for industrialization but also an inevitable move in global competition. Positive electrode, negative electrode, separator and electrolyte are the four key materials of Li-ion batteries. The core of the transition from liquid to all-solid-state battery is to replace the separator and electrolyte with solid electrolyte. Compared with traditional liquid lithium batteries, solid-state battery has advantages such as intrinsic safety, high energy density and wide temperature range. From the perspective of downstream demand, new energy vehicles + low-altitude economy + robotics is driving growth in solid-state battery demand across multiple scenarios. In the new energy vehicle sector, it is widely expected that all-solid-state battery will be installed by 2026, with small-scale production by 2027. The Civil Aviation Administration of China estimates that the low-altitude economy market in China will reach RMB1.5 trillion by 2025. Moreover, solid-state battery can provide humanoid robots with longer endurance, higher safety and more flexible internal space layout. From the perspective of necessity, solid-state battery as a representative of the new battery is reshaping the international battery and energy market competition landscape. In addition, short-term semi-solid-state battery has been mass-produced as a transitional technology, and all-solid-state battery is expected to enter the Gigawatt-hour (“GWh”) application phase by 2028. In 2024, the first generation of semi-solid-state battery (primarily using ultra-high-nickel system) began volume production. By 2025, the adoption of lithium manganate/lithium nickel manganese oxide system is anticipated to deliver stronger cost competitiveness while further improving energy density. According to forecasts by Shenzhen GaoGong Lithium Industry Co., Ltd. (深圳市高工鋰電產業有限公司), the shipment of all-solid-state battery will exceed 1GWh by 2028, and according to research firm EV Tank, the global shipment of solid-state battery (with electrolyte content of less than 10%) is expected to reach 614.1GWh by 2030, with a penetration rate of approximately 10% in the overall lithium batteries, and a market size of more than RMB250 billion.

The global new energy market continues to exhibit growth momentum, primarily driven by renewable energy expansion, widespread adoption of electric vehicles, and advancements in energy storage technologies. The Group has become a key player in the expansion of new energy lithium batteries by leveraging its core equipment, process systems, module plant design and manufacturing capabilities, as well as its ability to respond quickly to customer needs. Through self-research and university-enterprise alliances, the Group continues to become deeply embedded in the front-end of the value chain of technological innovation, and is expected to continue to benefit from the next-generation new energy technological revolutions with its rich technological reserves and globalized landscape.

Green Energy

According to the “Action Plan for the Protection and Construction of Beautiful Rivers and Lakes (2025–2027)” (《美麗河湖保護與建設行動方案（2025–2027年）》) (“**the Plan**”), which was jointly issued by the relevant departments of the State Council in May 2025, it is required to consolidate and deepen the governance of the water environment. Specifically, regarding maintaining clean water areas and shorelines, it emphasizes strengthening sewage and waste collection, transfer, and treatment at ports, docks, vessels, and waterfront areas, while accelerating the promotion and application of new energy vessels utilizing green methanol, green ammonia, and green hydrogen. This is the first time that the Chinese government has explicitly listed “green methanol, green ammonia, and green hydrogen”, reflecting official endorsement for diversified zero-carbon fuel pathways. Combined with the International Maritime Organization’s (IMO) implementation of the new Energy Efficiency Existing Ship Index (EEXI) regulations in 2023, old vessels that fail to meet the standard will need to be phased out or retrofitted, and a new round of industrial iteration and upgrade is expected to speed up the investment and construction of the green energy industry chain.

Green energy is an urgent need for survival in response to global climate change and resource depletion, and an important symbol of the transformation from industrial civilization to ecological civilization. The direction of macro policies reflects the value expectations and requirements of society for the development of different industries. The Group has been deeply cooperating with downstream enterprises in their investment and construction of low-carbon themed green energy such as “green methanol, green ammonia, and green hydrogen”, and has accompanied its customers from research and development to small and medium scale trials to commercial production through joint laboratory research and development, customized engineering solutions and provision of core equipment. The Group has an experienced project execution team, a well-established engineering and technology research and development team, as well as a global network of multicultural and collaborative talents to provide more reliable advanced industrial products and total plant solutions in line with international standards for the sustainable expansion of the industry. In view of the global trend of green energy investment and development, the Group will fully utilize its strengths, seize the growth opportunities and strive to enhance its business level.

Data Center

In the digital economy era, data centers have become the core component driving digital economy development. The increase in the number of users and the resulting growth in user traffic has increased the growth in data volume, which in turn has driven the need for data centers. At the same time, with the widespread commercialization of 5G, Internet of Things (“**IoT**”), virtual reality and other emerging technologies, the data structure will become more complex, data processing will become more frequent, and unstructured data will increase dramatically, which will put forward new and higher requirements for the scale, storage capacity, arithmetic power and refinement of data centers. Against this backdrop of technological transformation, the data center industry chain is experiencing robust expansion. In recent years, data centers have been constantly updated and iterated, experiencing three stages: Data Center (DC), Internet Data Center (IDC) and Cloud Data Center (CDC).

According to the “Guiding Opinions on Accelerating the Development of New Energy Storage” (《關於加快推動新型儲能發展的指導意見》) issued by the National Development and Reform Commission of China and the National Energy Administration in July 2021, with the goal of achieving carbon peak and carbon neutrality, China has identified the development of new energy storage as a key initiative to enhance the power system’s regulation capacity, overall efficiency and safety assurance while supporting the construction of new-type power systems. With policy environment as strong safeguard, market mechanisms as fundamental framework and technological innovation as endogenous driving force, China is accelerating the creation of a multi-driven favorable landscape to promote high-quality development of energy storage. By 2025, new energy storage will be transformed from the early stage of commercialization to large-scale development. The innovation capability of new energy storage technology will be significantly improved. The level of autonomy and control of core technology and equipment has been significantly increased and major progress will be attained in high safety, low cost, high reliability, and long lifespan aspects. The standard system will be basically perfected, the industrial system will become more complete, and the market environment and business model will be basically mature, with the installed capacity exceeding 30 million kilowatt. New energy storage will play a significant role in facilitating carbon peak and neutrality in the energy sector. By 2030, the new energy storage will reach fully commercialization, the core technology and equipment of the new energy storage will be independently controllable and the level of technological innovation and industry will be at the forefront of the world. The standard system, market mechanism, and business model will be mature and sound and there will be in-depth integration of the development with all aspects of the power system. The installed capacity will basically satisfy the corresponding demand of the new power system and the new energy storage will become one of the key supports for the carbon peak and neutrality in the energy sector.

By replacing lead-acid battery storage systems with lithium battery storage systems, the relevant information industry can realize high-efficiency, low-cost, and long-life operation of machinery and equipment, meet customers' energy-saving requirements, and prepare for customers' transition to next-generation data centers. At present, the data center industry is gradually phasing out old equipment with high energy consumption, and waste electrical and electronic products will be effectively recycled. Iteration and upgrading of the industry are the driving force behind the development of the industry. The Group's modular plants are equipped with one-stop delivery capability, which enables customers to have more stability and certainty in their investment projects, satisfy their needs for industrial upgrading and realize their commercialization value. In the future, the Group will strive to enhance the green development level of newly-built data centers, strengthen the green operation and maintenance and transformation of in-use data centers, and accelerate the innovation of green technology products and service capabilities, to lay a solid foundation for further exploration and exploitation of market potential.

Electronic Chemicals

According to a research report released by Dongguan Securities Co., Ltd. (東莞證券股份有限公司) in January 2025, semiconductor materials refer to the collective term for various special materials used in the production process of integrated circuits, which are characterized by a large industrial scale, numerous sub-industries, and high technical barriers, and located in the upstream of the semiconductor industry chain, playing a crucial supporting role in industrial development. In terms of classification, semiconductor materials are categorized into wafer fabrication materials and packaging materials, with wafer fabrication materials dominating the market. Driven by AI, the proportion of advanced processes is increasing, and the global semiconductor materials market is expected to witness both volume and price growth.

This research report indicates that the proportion of semiconductor materials in the total semiconductor market remains stable, growing in tandem with the global semiconductor market. Driven by the rapid development of emerging technologies such as artificial intelligence, the IoT, and intelligent driving, the demand for high-performance semiconductor materials is increasing, leading to synchronous growth in the global semiconductor materials market alongside the semiconductor market. According to the data of Semiconductor Equipment and Materials International (SEMI), the market size of the global semiconductor materials increased from approximately United States dollars ("USD" or "US\$") 44.8 billion in 2012 to approximately US\$66.7 billion in 2023, with a compound annual growth rate (CAGR) of approximately 3.69% from 2012 to 2023, and its proportion in the total semiconductor market size remained relatively stable between 11% and 13%. According to Gartner, Inc.'s forecast on 30 October 2024, driven by surging demand for AI-related semiconductors and the recovery of electronic production, the global chip market is expected to increase by a year-on-year growth of approximately 19% to reach US\$630 billion in 2024, and will continue its growth trend in 2025, with a year-on-year growth of approximately 13.8% to reach US\$716.7 billion. The World Semiconductor Trade Statistics (WSTS) forecasts that the global semiconductor market size will reach US\$687 billion in 2025, with a year-on-year growth of approximately 12.5%, mainly driven by memory and logic chips.

With self-developed engineering and process technologies, the Group has successfully provided numerous leading domestic and international semiconductor material enterprises with a complete one-stop engineering solution from laboratory-scale small test, pilot test to industrial mass production, including complete sets of high-purity wet electronic chemicals production equipment, photoresist blending systems, mixed reagent production lines, and electronic specialty gas equipment. Through the dual guarantee model of “digital simulation + experimental verification”, the Group ensures that the mixing performance of each set of equipment meets customers’ specific process requirements. During the Reporting Period, two high-end G5 grade chemical production systems with annual capacities of 10,000 tons and 30,000 tons delivered by the Group successfully commenced one-off operation. Amid the rapid changes in the semiconductor industry, the Group strives to become a safe and stable supplier in the upstream of the industrial chain.

FINANCIAL DATA REVIEW

Revenue

The Group’s revenue decreased by 22.7% from approximately RMB3,476,752,000 for the six months ended 30 June 2024 to approximately RMB2,687,283,000 for the six months ended 30 June 2025. Such decrease in revenue was mainly attributable to the impact of the macroeconomic market environment and product delivery cycles on certain industries.

Revenue by end application	Six months ended 30 June					
	2025		2024		Increase RMB'000	Year-on-year change
	RMB'000 (unaudited)	Proportion	RMB'000 (unaudited)	Proportion		
Electronic chemical	91,280	3.4%	660,233	19.0%	-568,953	-86.2%
Chemical	581,219	21.6%	704,122	20.3%	-122,903	-17.5%
Family care*	312,279	11.6%	91,552	2.6%	220,727	241.1%
Raw materials of power battery#	404,154	15.0%	651,460	18.7%	-247,306	-38.0%
Oil and gas refinery	213,220	7.9%	461,244	13.3%	-248,024	-53.8%
Pharmaceutical and biopharmaceutical	797,202	29.7%	663,583	19.1%	133,619	20.1%
Others	287,929	10.8%	244,558	7.0%	43,371	17.7%
Total	<u>2,687,283</u>	<u>100.0%</u>	<u>3,476,752</u>	<u>100.0%</u>	<u>-789,469</u>	<u>-22.7%</u>

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

Raw materials of power battery include mining and metallurgy industry.

Cost of Sales

The cost of sales of the Group decreased by approximately 22.5% from approximately RMB2,448,304,000 for the six months ended 30 June 2024 to approximately RMB1,898,497,000 for the six months ended 30 June 2025. The change in cost of sales was in line with the change in revenue.

Cost of Sales	Six months ended 30 June				Year-on-year	
	2025		2024		Increase	change
	RMB'000 (unaudited)	Proportion	RMB'000 (unaudited)	Proportion		
Raw materials and consumables	948,395	50.0%	1,488,396	60.8%	-540,001	-36.3%
Direct labour cost	325,972	17.2%	282,819	11.6%	43,153	15.3%
Outsourcing fees	182,653	9.6%	311,156	12.7%	-128,503	-41.3%
Installation and repair cost	229,559	12.1%	189,112	7.7%	40,447	21.4%
Depreciation	67,299	3.5%	61,954	2.5%	5,345	8.6%
Impairment losses on assets	9,352	0.5%	4,854	0.2%	4,498	92.7%
Others (indirect labour cost + design fees)	135,267	7.1%	110,013	4.5%	25,254	23.0%
Total	<u>1,898,497</u>	<u>100.0%</u>	<u>2,448,304</u>	<u>100.0%</u>	<u>-549,807</u>	<u>-22.5%</u>

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 23.3% from approximately RMB1,028,448,000 for the six months ended 30 June 2024 to approximately RMB788,786,000 for the six months ended 30 June 2025. For the six months ended 30 June 2025, the gross profit margin of the Group was approximately 29.4%, which remained stable compared with the same period last year.

Other Income

The Group's other income primarily consists of interest income and foreign exchange gains. Other income of the Group increased by approximately RMB79,308,000 from approximately RMB60,689,000 for the six months ended 30 June 2024 to approximately RMB139,997,000 for the six months ended 30 June 2025, which was mainly attributable to (1) the increase in interest income as a result of the higher interest rates of the U.S. dollar, Euros, and Hong Kong dollar time deposits held by the Group; (2) the compensation received for the resettlement of the Shanghai manufacturing base due to policy-driven relocation; and (3) the increase in the net non-operating income recognized as a result of early termination of certain projects requested by clients.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of the salaries and benefits of its sales and marketing staff, commissions, customer service fees, travel expenses and marketing and promotion expenses. The selling and marketing expenses of the Group increased by approximately RMB5,725,000 from approximately RMB81,158,000 for the six months ended 30 June 2024 to approximately RMB86,883,000 for the six months ended 30 June 2025, which was mainly attributable to (1) the increase in related salary expenses and travel expenses as a result of the increase in the number of overseas marketing team personnel; and (2) the increase in technical support for overseas projects during the early stages. Such increase was partially offset by the decrease in sales commission. Selling and marketing expenses as a percentage of total revenue was approximately 3.2% for the six months ended 30 June 2025 (approximately 2.3% for the same period in 2024).

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, travel expenses and depreciation expenses. The general and administrative expenses of the Group increased by approximately RMB34,056,000 from approximately RMB264,573,000 for the six months ended 30 June 2024 to approximately RMB298,629,000 for the six months ended 30 June 2025, which was mainly attributable to (1) the increase in the salaries and benefits of management and administrative staff, travel expenses, and consulting fees for the purpose of supporting the development of overseas business; and (2) the increase in depreciation expenses as a result of the operational commencement of the Suzhou manufacturing base. The general and administrative expenses as a percentage of total revenue was approximately 11.1% for the six months ended 30 June 2025 (approximately 7.6% for the same period in 2024).

Research and Development Expenses

The Group's research and development expenses decreased by approximately RMB105,118,000 from approximately RMB219,020,000 for the six months ended 30 June 2024 to approximately RMB113,902,000 for the six months ended 30 June 2025, which was mainly attributable to (1) the adjustment of the priority of R&D projects to align with the Group's operating strategy; and (2) the improvement of R&D efficiency through continuous measures for resource integration.

Income Tax Expenses

The Group's income tax expenses decreased by approximately RMB24,445,000 from approximately RMB93,660,000 for the six months ended 30 June 2024 to approximately RMB69,215,000 for the six months ended 30 June 2025. The Group's effective tax liability for income tax was approximately 17.2% for the six months ended 30 June 2025, representing a decrease of approximately 2.8% from approximately 20.0% for the six months ended 30 June 2024, which was mainly attributable to the decrease in provision for the withholding income tax expenses as dividends the Company expected to receive from PRC subsidiaries decreased.

Impairment Loss on Trade Receivables and Contract Assets

Impairment loss on trade receivables and contract assets of the Group decreased by approximately RMB29,585,000 from approximately RMB51,731,000 for the six months ended 30 June 2024 to approximately RMB22,146,000 for the six months ended 30 June 2025, which was mainly attributable to the Group's strengthened risk management and control measures as well as the implementation of a strict early warning mechanism for trade receivables, resulting in a decrease in the amount of high-risk trade receivables requiring full provision for bad debts.

Non-HKFRS Measures

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

EBITDA

The Group had EBITDA of approximately RMB523,335,000 for the six months ended 30 June 2025, representing a decrease of approximately 5.9%, as compared to approximately RMB556,094,000 for the six months ended 30 June 2024.

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net profit	333,008	373,827
Add: Income tax expenses	69,215	93,660
Interest expenses	4,872	4,966
Depreciation	103,633	73,757
Amortisation	12,607	9,884
EBITDA	<u>523,335</u>	<u>556,094</u>

Inventory

The Group's inventories increased by approximately 28.3% from approximately RMB797,243,000 as at 31 December 2024 to approximately RMB1,022,649,000 as at 30 June 2025, which was mainly attributable to the fact that certain high-value orders for which the control was transferred at a point in time were in production and have not been delivered by the end of the Reporting Period.

Contract Assets

The Group's contract assets increased by approximately 18.9% from approximately RMB938,869,000 as at 31 December 2024 to approximately RMB1,116,032,000 as at 30 June 2025, which was mainly attributable to the fact that certain ongoing high-value orders have recognized partial revenue but have not yet reached the agreed milestone for payment collection.

Contract Liabilities

The Group's contract liabilities increased by approximately 29.9% from approximately RMB1,476,247,000 as at 31 December 2024 to approximately RMB1,918,212,000 as at 30 June 2025, which was mainly attributable to the receipt of advance payments for certain high-value orders in accordance with the contractually agreed milestone for payment collection during the Reporting Period.

Liquidity and Capital Resources

The balance of cash and bank deposits of the Group was approximately RMB2,584,568,000 as at 30 June 2025, which was mainly denominated in RMB, USD, HKD, Singapore dollar (“**SGD**”), Japanese Yen (“**JPY**”) and Euro (“**EUR**”), representing a decrease of approximately RMB10,880,000 as compared with approximately RMB2,595,448,000 as at 31 December 2024. Besides, the Group had restricted bank deposits of approximately RMB30,359,000 pledged for issuing bank guarantees and bills. The Group purchased short-term financial products issued by banks with idle funds under the premise of ensuring liquidity, and entered into a series of forward foreign exchange contracts, of which the outstanding amount as at 30 June 2025 was approximately RMB588,948,000.

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

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

As at 30 June 2025, the Group's total banking facilities amounted to RMB2,525,000,000, US\$294,000,000, Swedish Krona 300,000,000 and JPY26,700,000,000 (equivalent to approximately RMB6,180,828,000 in aggregate), among which the utilized banking facilities amounted to approximately RMB897,760,000, US\$122,316,000, EUR28,833,000, SGD7,798,000, MYR2,222,000 and JPY82,000,000 (equivalent to approximately RMB2,023,472,000 in aggregate), and the unutilized banking facilities amounted to approximately RMB4,157,356,000.

Borrowings and Gearing Ratio

The Group's aggregated borrowings increased by approximately 1.1% from approximately RMB214,185,000 as at 31 December 2024 to approximately RMB216,483,000 as at 30 June 2025, and the borrowings were mainly used for construction funds and the Group's daily operations.

As at 30 June 2025, the Group's borrowings were denominated in RMB and the interest rates of the borrowings ranged from 2.11% to 3.53%, of which approximately RMB130,788,000 were fixed rate borrowings and approximately RMB85,695,000 were variable rate borrowings. Among them, approximately RMB135,199,000 will be due within 1 year and approximately RMB81,284,000 will be due between 1 and 8 years.

Gearing ratio is calculated using interest-bearing borrowings divided by total equity. The gearing ratio of the Group decreased from approximately 4.1% as at 31 December 2024 to approximately 3.9% as at 30 June 2025, mainly due to the increase in reserves arising from earnings.

Charges on Assets

As at 30 June 2025, the Group did not have any assets or rights pledged.

Contingent Liabilities and Guarantees

As at 30 June 2025, the Group did not have any material contingent liabilities or guarantees.

Significant Investments, Acquisitions and Disposals

In January 2025, Morimatsu Singapore, a subsidiary of the Company, established a new wholly-owned subsidiary, MET Malaysia. After completion of the capital injection in June 2025, the share capital of MET Malaysia is MYR3,000,000. MET Malaysia serves as one of the technology hubs and engineering services centers for Morimatsu's energy materials segment in Southeast Asia and leverages its geographical advantages and strengths as a talent hub to support the Group's other operational bases, particularly in the Southeast Asian and North American markets.

In February 2025, Morimatsu Biotechnology, a subsidiary of the Company, jointly established a new non-wholly-owned subsidiary, 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.

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

In June 2025, Morimatsu Heavy Industry, a subsidiary of the Company, jointly established a new non-wholly-owned subsidiary, Shanghai Ei-Mori Fluid Equipment Co., Ltd. (上海森熠智造流體設備有限公司) (“**Ei-Mori Fluid**”), with an independent third party. The registered capital of Ei-Mori Fluid is RMB10,000,000, in which the Company indirectly holds a 51% equity interest. Ei-Mori Fluid is primarily engaged in the R&D, manufacturing and sales of valves, as well as the installation and commissioning of valve accessories, and related after-sales maintenance services.

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 explicit future plans for significant investments or capital assets acquisitions as at 30 June 2025.

Important Events after the Reporting Period

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

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

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

AUDIT COMMITTEE

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

DIVIDEND

The Board did not resolve to declare the payment of any interim dividend for the six months ended 30 June 2025.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Group did not repurchase, sale or redeem any listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has adopted and complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules and there had been no deviation from the code provisions.

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

Hong Kong, 28 August 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.

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