Channel Micron Holdings Company Limited
捷心隆控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code：2115)

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Yew Sum *(Chairman)*
Mr. Law Eng Hock
Mr. Lim Kai Seng
Mr. Chin Sze Kee
Ms. Yap Chui Fan

Independent Non-executive Directors

Mr. Ng Seng Leong
Mr. Wu Chun Sing
Mr. Martin Giles Manen

BOARD COMMITTEES

Audit Committee

Mr. Martin Giles Manen *(Committee chairman)*
Mr. Ng Seng Leong
Mr. Wu Chun Sing

Remuneration Committee

Mr. Ng Seng Leong *(Committee chairman)*
Mr. Martin Giles Manen
Mr. Ng Yew Sum

Nomination Committee

Mr. Ng Yew Sum *(Committee chairman)*
Mr. Martin Giles Manen
Mr. Ng Seng Leong

COMPANY SECRETARY

Ms. Wong Pui Yin, Peony

AUTHORISED REPRESENTATIVES

Mr. Ng Yew Sum
Ms. Wong Pui Yin, Peony

AUDITORS

Grant Thornton Hong Kong Limited

COMPLIANCE ADVISER

Ballas Capital Limited

STOCK CODE

2115

PRINCIPAL BANKERS

Bank of China
Maybank Banking Berhad
Public Bank Berhad
HSBC Bank Malaysia Berhad
AmBank (M) Berhad
Alliance Bank Malaysia Berhad

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot P.T. 14274, Jalan SU8
Persiaran Tengku Ampuan
40400 Shah Alam
Selangor Darul Ehsan, Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS

Email: ir@channelsystemsasia.com.my
Telephone: +603-5192 3333

WEBSITE

https://www.channelmicron.com/

LISTING INFORMATION

Equity Securities

The ordinary shares of Channel Micron Holdings Company Limited (the "**Company**") (stock code: 2115) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Financial Calendar

Annual results announcement	:	Wednesday, 30 March 2022
2022 annual general meeting (the "**AGM**")	:	Tuesday, 31 May 2022

Closure of Register of Members and other Key Dates

The Company's register of members will be closed during the following periods:

— To determine the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the AGM:

Latest time for lodging transfer documents of shares	:	4:30 p.m., Wednesday, 25 May 2022
Period of closure of register of members	:	Thursday, 26 May 2022 to Tuesday, 31 May 2022

— To determine the Shareholders' entitlement to the final dividend (the "**Final Dividend**"):

Latest time for lodging transfer documents of shares	:	4:30 p.m., Monday, 6 June 2022
Period of closure of register of members	:	Tuesday, 7 June 2022 to Thursday, 9 June 2022
Record date	:	Thursday, 9 June 2022

To qualify for attending and voting at the AGM and entitlement to the Final Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the above latest time for lodging transfer documents of shares.

Subject to the approval by the Shareholders in the AGM, the proposed Final Dividend will be paid on or before Thursday, 23 June 2022 to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 9 June 2022.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 31 May 2022. Notice of the AGM will be set out in the Company's circular dated Wednesday, 27 April 2022 and will be despatched together with this annual report to the Shareholders. Notice of the AGM and the proxy form will also be published on the Company's website (https://www.channelmicron.com/) and the Stock Exchange's website (http://www.hkexnews.hk).

DESPATCH OF CORPORATE COMMUNICATIONS

This annual report (both Chinese and English versions) will be delivered to the Shareholders. This annual report is also published on the Company's website (https://www.channelmicron.com/) and the Stock Exchange's website (http://www.hkexnews.hk).

For environmental protection reasons, the Company encourages the Shareholders to view this annual report posted on the aforesaid websites where possible.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I hereby present to you the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 ("**FY2021**" or the "**Year**").

With more than 30 years of industry experience and solid track record, the Group has proven its ability to provide cleanroom products and services to meet different specifications and customer requirements, up to the most stringent level under commonly adopted cleanroom standards. Thanks to the dedication and support from all my colleagues, I am delighted to report that the Group has delivered encouraging financial performance during the Year. Despite the continuous outbreak of the 2019 Novel Coronavirus ("**COVID-19**"), the Group recorded growth in revenue in all its major markets, being the PRC, Malaysia, Philippines and Singapore in FY2021. The total revenue increased by 31.4% from RMB203.6 million in 31 December 2020 ("**FY2020**") to RMB267.5 million for FY2021. Excluding the listing expenses of RMB16.1 million in FY2020, the adjusted profit of the Group[Note] increased by 29.9% from RMB26.7 million for FY2020 to RMB34.7 million for FY2021. This is attributable to the increase in investment in semiconductors and the gradual recovery of Asian economy.

Balancing between the operating results of FY2021 and the anticipated capital needs for future development, the Board is pleased to announce the payment of a Final Dividend of HK0.67 cents per Share.

Looking forward, the Group expects the Asian economy to continue its gradual recovery from the COVID-19 pandemic, supported by the increase in vaccination rates, resumption of economic activities, and the extraordinary monetary and fiscal policies launched by governments across the globe. Due to the global semiconductor shortage, the Group also expects the investment in semiconductor industry to continue to increase, which in turn will drive the growth in demand for the Group's cleanroom products as they are mostly applied in cleanrooms for semiconductor plants.

To cater for the growing demand of its products and capture market opportunities, the Group endeavors to expand its production capacity in both Malaysia and the PRC. For Malaysia, the Group's production capacity is expected to increase by approximately 80% for cleanroom wall and ceiling systems and by approximately 62% for cleanroom equipment when the New Production Facility is in full operation, which is expected to be around the fourth quarter of 2023. For PRC, as at the date of this report, the Group is still actively looking for a suitable premise in the PRC to open a second factory in the PRC to increase the production capacity for cleanroom walls and ceiling systems in the PRC to take advantage of the opportunities in the market. As an interim measure, the Group rented the Temporary Factory in the PRC. In addition to expanding its production capacity, the Group will also continue to work closely with its customers and invest in research and development to improve its engineering capability and product quality.

Whilst the Group is optimistic about its future, it is also mindful that it is under constant pricing pressure from its competitors. In FY2021, the Group was able to maintain it overall gross margin. Going forward, the Group will strive to keep tight cost control and closely monitor its operational efficiency. Furthermore, the Group is aware of the volatility of the pandemic situation in different countries and will closely monitor the situation and remain vigilant. The Group will continue to be prudent in managing its business operations and financial resources and maximise its business potential amid the pandemic.

On behalf of the Board, I would like to thank all our stakeholders and business partners for their ongoing support, and our Directors, management and employees for their dedication and contributions to our progress.

Ng Yew Sum
Chairman and Executive Director

Note: The terms of adjusted profit for the period is not defined under HKFRSs. Adjusted profit for the period is calculated by profit for the period excluding listing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Throughout the Year, despite the continuous outbreak of COVID-19, the Asian economy began to recover from the pandemic due to the increase in vaccination rates and reopening of the affected economic sectors. During FY2021, although there were interruptions to the Group's operation and projects from time to time due to the lockdown measures and travel restrictions, the interruptions were manageable as compared to FY2020 and the additional costs incurred for the heightened hygiene and preventive measures undertaken by the Group is minimal. This is due to the fact that as the relevant measures were less stringent and the Group has accumulated experience in managing the interruptions. Furthermore, the demand for the Group's cleanroom products in Asia grew in FY2021 due to the increase in investment in semiconductors. As a result, the Group recorded a revenue of RMB267.5 million for FY2021, representing a year-over-year increase of 31.4%, as a result of the growth in revenue in all major markets of the Group (i.e. the PRC, Malaysia, Philippines and Singapore). The Group's gross profit margin remained stable at 35.6% for FY2021 (FY2020: 35.4%). As a result, the net profit of the Group increased by 227.3% from RMB10.6 million for FY2020 to RMB34.7 million for FY2021 mainly due to the increase in revenue and the absence of listing expenses. Excluding the listing expenses of RMB16.1 million in FY2020, the adjusted profit of the Group[Note] increased by 29.9% from RMB26.7 million for FY2020 to RMB34.7 million for FY2021.

To cater for the growing demand for its cleanroom products, the Group has completed the acquisition of a parcel of freehold industrial land situated in Negeri Selangor, Malaysia (the "**Acquisition**") during FY2021. The land has a site area of approximately 16,056 square metres and will be used for the construction of the new production facility (the "**New Production Facility**") with an aim to increase the Group production capacity in Malaysia. As at the date of this report, the Group is in the process of obtaining government approvals for the construction plan of the New Production Facility. In PRC, the Group rented an additional factory ("**Temporary Factory**") mainly for warehouse purpose coupled with small scale production of cleanroom walls and ceiling systems from September 2021 for one year with a GFA of approximately 2,700 sq.m. to provide immediate and temporary storage support such that the Group could free up space at its PRC Factory to cater for the requirement of the existing and potential projects.

Note: The terms of adjusted profit for the period is not defined under HKFRSs. Adjusted profit for the period is calculated by profit for the period excluding listing expenses.

FINANCIAL REVIEW

REVENUE

Revenue by business segment

The following table sets forth a breakdown of the revenue of the Group by business segment.

	For the year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Cleanroom wall and ceiling systems	**235,163**	**87.9**	190,505	93.5
Cleanroom equipment	**15,608**	**5.8**	6,264	3.1
Others	**16,778**	**6.3**	6,860	3.4
Total	**267,549**	**100**	203,629	100.0

Cleanroom wall and ceiling systems

Revenue from cleanroom wall and ceiling systems for FY2021 increased by RMB44.7 million or 23.4% as compared to FY2020. The sales for cleanroom wall and ceiling systems in the PRC and Southeast Asia increased by approximately RMB19.7 million and RMB25.0 million respectively for FY2021 as compared to FY2020. The increase in revenue from the PRC and the Southeast Asia was mainly due to the new contracts obtained in 2021 as a result of strong demand for the Group's cleanroom wall and ceiling systems.

The more sizable contracts we undertook in FY2021 included:

(a) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor raw material in the PRC, from which revenue generated for FY2021 amounted to RMB21.0 million, representing 8.9% of total cleanroom wall and ceiling systems revenue of the Group for FY2021;

(b) a contract to supply cleanroom wall and ceiling systems products for the construction of a mega data centre facility in Singapore, from which revenue generated for FY2021 amounted to RMB20.0 million, representing 8.5% of total cleanroom wall and ceiling systems revenue of the Group for FY2021;

(c) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2021 amounted to RMB14.7 million, representing 6.2% of total cleanroom wall and ceiling systems revenue of the Group for FY2021;

(d) a contract to supply cleanroom wall and ceiling system products for the construction of a semiconductor product manufacturing facility in Malaysia, from which revenue generated for FY2021 amounted to RMB10.3 million, representing 4.4% of total cleanroom wall and ceiling systems revenue of the Group for FY2021;

(e) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2021 amounted to RMB10.3 million, representing 4.4% of total cleanroom wall and ceiling systems revenue of the Group for FY2021;

(f) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2021 amounted to RMB10.0 million, representing 4.3% of total cleanroom wall and ceiling systems revenue of the Group for FY2021;

(g) a contract to supply cleanroom wall and ceiling system products for silicon wafer facility in Singapore, from which revenue generated for FY2021 amounted to RMB5.3 million, representing 2.2% of total cleanroom wall and ceiling systems revenue of the Group for FY2021; and

(h) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2021 amounted to RMB5.0 million, representing 2.1% of total cleanroom wall and ceiling systems revenue of the Group for FY2021.

Cleanroom equipment

Revenue from cleanroom equipment for FY2021 increased by RMB9.3 million or 149.2% as compared to FY2020. This is mainly due to a contract for supply of cleanroom equipment for a semiconductor product manufacturing facilities in the Philippines we obtained and completed in FY2021. We generated a revenue of RMB7.6 million, representing 48.8% of total cleanroom equipment revenue of the Group for FY2021, from such contract in FY2021.

Others

The Group also engaged in ancillary business such as trading of cleanroom equipment and components (mainly raised floor systems) and provision of cleanroom preventive maintenance services. Revenue from ancillary business for FY2021 increased by RMB9.9 million or 144.6% as compared to FY2020. Such increase was mainly due to certain contracts to supply raised floor systems products in Malaysia.

Revenue by geographical location

The following table sets forth a geographical breakdown of revenue of the Group, based on the locations at which the services were provided or the goods delivered.

	For the year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
The PRC (excluding Hong Kong)	**143,671**	**53.7**	123,968	60.9
Malaysia	**50,012**	**18.7**	29,272	14.3
Philippines	**28,631**	**10.7**	10,168	5.0
Singapore	**38,291**	**14.3**	29,885	14.7
Others	**6,944**	**2.6**	10,336	5.1
Total	**267,549**	**100**	203,629	100.0

For FY2021, the Group achieved growth in revenue in all of its major markets.

Revenue from the PRC for FY2021 increased by RMB19.7 million, or 15.9%, as compared to FY2020. Such increase was mainly due to the increase in cleanroom wall and ceiling systems contracts and projects in the PRC as explained above.

Revenue from Malaysia, Philippines and Singapore for FY2021 increased by RMB20.7 million, RMB18.5 million and RMB8.4 million respectively as compared to FY2020. Such increase was mainly due to the increase in sales of cleanroom wall and ceiling systems as well as cleanroom equipment and other products as explained above.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the analysis of gross profit with respective gross profit margins by business segment.

	For the year ended 31 December			
	2021		2020	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Cleanroom wall and ceiling systems	**85,356**	**36.3**	67,158	35.3
Cleanroom equipment	**5,975**	**38.3**	1,153	18.4
Others	**3,976**	**23.7**	3,854	56.2
Total	**95,307**	**35.6**	72,165	35.4

The gross profit margin of cleanroom wall and ceiling systems for FY2021 remained stable as compared to FY2020.

Gross profit margin of cleanroom equipment for FY2021 increased by 19.9 percentage points as compared to FY2020. The increase in cleanroom equipment revenue for FY2021 had led to a higher operational efficiency which in turn resulted in the recovery of the gross profit margin during FY2021.

Gross profit margin of ancillary business in FY2021 decreased by 32.5 percentage points as compared to FY2020. The significant decrease in gross profit margin was mainly due to the competitive pricing offered by the Group to secure certain contracts to supply raised floor systems products in Malaysia, compounded by the absence of certain contracts with higher gross profit margin for the ancillary business in the Philippines.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs significantly increased by 43.9% to RMB11.4 million (2020: RMB7.9 million) with its percentage of revenue increasing to 4.2% (2020: 3.9%), which was mainly due to the increase in marketing and travelling expenses.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses increased by 31.8% to RMB35.5 million (2020: RMB26.9 million), primarily attributable to the increase in staff costs and professional and compliance costs, partially offset by decrease in other expenses.

INCOME TAX EXPENSE

Income tax expense was RMB8.6 million for FY2021 (2020: RMB6.1 million). The decrease in effective tax rate, representing income tax expense divided by profit before income tax, from 36.5% for FY2020 to 19.9% for FY2021, was mainly due to the absence of listing expenses which are not deductible for tax purposes in the Group's subsidiaries in Malaysia and the decrease in other expenses not deductible for tax purposes in the Group's subsidiaries in Malaysia.

PROFIT FOR THE YEAR

As a result of the above and in particular, the increase in revenue from RMB203.6 million for FY2020 to RMB267.5 million for FY2021 and the absence of listing expenses, the net profit increased by 227.3% to RMB34.7 million (2020: RMB10.6 million). Net profit margin increased from 5.2% for FY2020 to 13.0% for FY2021.

Adjusted profit for the year

Adjusted profit for the year is not a financial measure under the HKFRSs and is presented to provide information for evaluation and comparison of the financial results of the Group. Although the financial measures are reconcilable to the line items in the consolidated financial statements, they should not be considered measures comparable to items in the consolidated financial statements in accordance with the HKFRSs. These measures may not be comparable to other similarly titled measures used by other companies. Adjusted profit for the year of the Group amounted to RMB34.7 million for FY2021, representing an increase of 29.9% as compared to that of RMB26.7 million for FY2020. Such increase was primary attributable to the increase in revenue as explained above.

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**34,694**	10,600
Add: Listing expenses	**–**	16,116
Adjusted profit for the year	**34,694**	26,716

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to RMB73.5 million and RMB32.6 million as at 31 December 2021 and 2020, respectively, and mainly comprised freehold land and building for the production facilities, warehouses and office premises in Malaysia of the Group. The increase in property, plant and equipment as at 31 December 2021 was mainly due to the Acquisition. For details, please refer to the paragraph headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this report.

INVENTORIES

Inventories increased from RMB20.7 million as at 31 December 2020 to RMB32.0 million as at 31 December 2021. The increase was mainly attributable to the higher level of raw materials in storage to cater for unforeseeable additional lead time in supply chain due to lock-down measures and travel restrictions and also to cater for a few confirmed projects that required delivery in the first and second quarter of 2022.

TRADE AND OTHER RECEIVABLES

Trade and other receivables increased from RMB70.0 million as at 31 December 2020 to RMB94.7 million as at 31 December 2021, which is in line with the increment in revenue.

CONTRACT ASSETS

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. The Group's contract assets comprised of unbilled revenue and retention receivables. Unbilled revenue arises when revenue had been recognised for the completion of cleanroom construction services that had been approved by the customers (supported by the customer-certified progress reports) or upon delivery of sales of goods but the Group is yet to be entitled to invoice the customers or be unconditionally/contractually entitled to the payment under the terms set out in the contracts. Retention receivables represented the retention monies required by the customers to secure the due performance of the contracts of the Group. Contract assets increased from RMB55.4 million as at 31 December 2020 to RMB74.3 million as at 31 December 2021, which is in line with the increment in revenue.

TRADE AND OTHER PAYABLES

Trade and other payables increased from RMB60.5 million as at 31 December 2020 to RMB79.6 million as at 31 December 2021. The increase was mainly attributable to the bulk purchase of raw material for on-going projects near to the end of the year ended 31 December 2021 and also to cater for a few confirmed projects that required delivery in the first and second quarter of 2022.

HUMAN RESOURCES

As at 31 December 2021, the total number of full-time employees of the Group was 176 (2020: 169). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. We offer senior management performance-based bonus schemes to reward and retain a high caliber management team.

In determining the remuneration of the Directors, the Board will make reference to the proposal of the remuneration committee of the Company, taking into account, among others, their respective duties and responsibilities, individual performance and the prevailing market conditions.

During the Year, staff costs including Directors' emoluments amounted to RMB30.8 million (2020: RMB24.3 million).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We have adopted comprehensive treasury policies and internal control measures to review and monitor our financial resources. Cash and cash equivalents remained stable at RMB110.5 million as at 31 December 2021.

As at 31 December 2021, borrowings increased to RMB62.2 million (2020: RMB22.9 million) with effective interest rates of range from 2.3% to 4.6% (2020: from 3.8% to 4.7%), per annum. The increase is mainly due to the new mortgage loans in the Malaysia for the Acquisition.

The gearing ratio, which was calculated on the basis of bank borrowings and lease liabilities divided by total equity, was 0.29 (2020: 0.12).

As at the date of this report, the issued share capital of the Company was HK$14.0 million, comprising 1,400,000,000 Shares of nominal value of HK$0.01 per Share.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Year, total investment in property, plant and equipment was RMB45.5 million (2020: RMB3.9 million), in which 96.5% was mainly used for the Acquisition.

As at 31 December 2021, the Group had no contracted capital commitments.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group held no major investment.

MATERIAL ACQUISITIONS AND DISPOSALS

As disclosed in the Company's announcement dated 16 April 2021, Channel Systems (Asia) Sdn. Bhd., a wholly-owned subsidiary of the Company has entered into the sale and purchase agreement with Info Cahaya Sdn. Bhd., an independent third party, to acquire a parcel of freehold industrial land situated in Negeri Selangor, Malaysia. The land has a site area of approximately 16,056 square metres and will be used for construction of the new factory in order to expand the Company's production capacity in Malaysia. The consideration of the acquisition is RM26,787,903.00 (equivalent to approximately RMB42,403,367). As at the date of this report, the Group is in the process of obtaining government approvals for the construction plan of the new factory.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this report.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, RMB1.6 million (2020: RMB2.0 million) of the Group's bank deposits were pledged for the purpose of the performance, retention monies and advance payment guarantee in respect of the cleanroom projects. As at 31 December 2021, the Group's bank loans of RMB47.0 million (2020: RMB13.9 million) were secured by the legal charges over the Group's freehold land and building.

Other than the above, as at 31 December 2021, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

The Group's reporting currency is RMB, and the Group is exposed to translational foreign currency risks primarily as a result of revenue that is denominated in foreign currencies other than RMB and purchases that are denominated in foreign currencies other than RMB. As such, fluctuations in foreign exchange rates could result in exchange loss. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any contingent liabilities.

FINAL DIVIDEND

The Board has proposed the payment of a Final Dividend of HK0.67 cents per Share for the year ended 31 December 2021 (FY2020: HK0.36 cents per Share) to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 9 June 2022. The final dividend will be paid on or before Thursday, 23 June 2022, subject to the Shareholders' approval at the AGM.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Net proceeds from the listing, after deducting the underwriting commission and other estimated expenses in connection with the listing, amounted to RMB47.5 million. The net proceeds have been and will be utilised in accordance with the purpose set out in the Prospectus. As of 31 December 2021, the Group has applied the net proceeds for the following purpose:

Planned use of net proceeds as stated in the Prospectus	% to total amount	RMB million	Actual use of net proceeds up to 31 December 2021 RMB million	Unutilised net proceeds as at 31 December 2021 RMB million	Expected timeline for the unutilised net proceeds
Expansion and renovation of production facilities in the PRC	34.0	16.1	**0.2** (Note 1)	**15.9**	On or before December 2023
Expansion of production facilities in Malaysia	34.7	16.5	**12.5**	**4.0**	On or before December 2023 (Note 2)
Strengthening sales and marketing, and engineering and support functions in the PRC and Malaysia by hiring additional staff	9.0	4.3	**0.6**	**3.7**	On or before December 2022
Strengthening accounts and administration functions and upgrading information technology systems to cater for business growth	3.5	1.7	**0.2**	**1.5**	On or before May 2023
Research and development projects to enhance existing products and diversify product offering	11.9	5.6	**5.6**	**–**	N/A
General working capital	6.9	3.3	**3.3**	**–**	N/A
	100.0	47.5	**22.4**	**25.1**	

Notes:

1) As at the date of this report, the Group is still actively looking for a suitable premise in the PRC to open a second factory in the PRC to increase the production capacity. During FY2021. the Group utilized RMB0.2 million to purchase additional machinery which is intended to be used in the second factory when available and is currently used in the Temporary Factory.

2) As at the date of this report, the Group is in the process of obtaining government approvals for the construction plan of the New Production Facility. Taking into account the expected time required for obtaining government approval, construction and refurbishment, and purchase of additional requirement, the Group postponed the deadline for the use of relevant proceeds to 31 December 2023.

The unutilised amount is expected to be used in accordance with the Company's business strategies as disclosed in the Prospectus and above. The aforesaid expected timeline of full utilisation of the unutilised proceeds is based on our Directors' best estimation, and is subject to change in light of the future market conditions or any unforeseen circumstances.

EXECUTIVE DIRECTORS

Mr. Ng Yew Sum, aged 55, is the executive Director and Chairman of the Company. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Ng was appointed as the Director of the Company on 11 June 2019 and was re-designated as the executive Director and Chairman of the Company on 16 August 2019. Mr. Ng is also a director of all of the Group's subsidiaries. He is primarily responsible for overseeing the business operation as well as business development and strategy of the Group. Mr. Ng is one of the controlling Shareholders of the Company.

Mr. Ng has 32 years of sales experience in the cleanroom engineering industry. He joined the Group in January 1990 initially as sales executive of Micron (M) Sdn. Bhd. ("**Micron (M)**"), where he was responsible for sales and marketing of cleanroom equipment, and was promoted as sales manager in January 1994, where he was responsible for overseeing the sales and marketing team; he held the position as managing director of Channel Systems Asia Sdn. Bhd. ("**Channel Systems (Asia)**") since September 2006, of Micron (M) since April 2006 and of CSA Technic Sdn. Bhd. ("**CSA Technic**") since March 2017.

Mr. Ng obtained the Malaysia Higher School Certificate in 1986.

Mr. Law Eng Hock, aged 46, is the executive Director of the Company, who joined the Group in September 2001. Mr. Law was appointed as the Director of the Company on 11 June 2019 and was re-designated as the executive Director of the Company on 16 August 2019. He is the general manager of China operation of Channel Systems (Shanghai) Co. Ltd. ("**Channel Systems (Shanghai)**"). He is primarily responsible for overseeing the overall operations in sales and marketing, engineering as well as manufacturing. Mr. Law is one of the controlling Shareholders of the Company.

Mr. Law has 22 years of sales experience in speciality equipment industry. Prior to joining the Group, Mr. Law worked as sales executive at Nippon Electric Glass (Malaysia) Sdn. Bhd. from February 2000 to August 2001. Since joining the Group, Mr. Law worked as (1) regional marketing executive of Channel Systems (Asia) from September 2001 to June 2004; (2) assistant sales manager from July 2004 to December 2004, and; (3) marketing manager from January 2005 to May 2006. Since July 2006, he was further promoted to and holds the position as the general manager of China operation.

Mr. Law obtained a diploma in marketing from Port Dickson Polytechnic in June 1997, and a Bachelor of Business Administration Management (Honours) from Multimedia University of Malaysia in July 1999.

Mr. Lim Kai Seng, aged 60, is the executive Director of the Company, who joined the Group in May 2005. Mr. Lim was appointed as the Director of the Company on 11 June 2019 and was re-designated as the executive Director of the Company on 16 August 2019. He is primarily responsible for overseeing the sales and marketing, project operation and research and development of Channel Systems (Asia) and CSA Technic. Mr. Lim is one of the controlling Shareholders of the Company.

Mr. Lim has 39 years of experience in mechanical engineering industry. Prior to joining the Group, Mr. Lim worked as draughtsman at Hart Engineering Sdn. Bhd. from February 1983 to February 1984. From March 1984 to August 1987, Mr. Lim worked as field supervisor of construction department at Otis Elevator Company (M) Sdn. Bhd.. From May 1988 to March 2000, Mr. Lim worked as project executive at Comfort Air-Condition Refrigeration Engineering Sdn. Bhd.. From March 2000 to August 2000, Mr. Lim worked as senior project executive at Merino-O.D.D. Sdn. Bhd. and continued to work at the company as area manager from September 2000 to March 2005.

Since joining the Group, Mr. Lim worked as operation manager of Channel Systems (Asia) from May 2005 to January 2007. Since February 2007, He was promoted to and holds the position of general manager of Channel Systems (Asia). He was also designated and is in charge of the daily operation of CSA Technic since September 2017, and was subsequently appointed as a director of CSA Technic since 4 May 2021.

Mr. Chin Sze Kee, aged 45, is the executive Director of the Company, who joined the Group in March 2001. Mr. Chin was appointed as the Director of the Company on 11 June 2019 and was re-designated as the executive Director of the Company on 16 August 2019. Mr. Chin is also a director of certain subsidiaries of the Group. He is primarily responsible for overseeing the overall operations in sales and marketing, engineering as well as the manufacturing of Micron (M). Mr. Chin is one of the controlling Shareholders of the Company.

Mr. Chin has 21 years of sales experience in the cleanroom systems industry. Since joining the Group, Mr. Chin worked as (1) a sales engineer of Micron (M) from March 2001 to April 2004; (2) an assistant manager of regional sales and marketing of Micron (M) from May 2004 to December 2004; (3) an area manager of China operation from January 2005 to June 2006, and; (4) senior manager of China operation from July 2006 to January 2007. Since February 2007, he was further promoted to and holds the position as the general manager of Micron (M).

Mr. Chin obtained a Bachelor of Science in Engineering (Mechanical) from Western Michigan University in April 2000.

Ms. Yap Chui Fan, aged 59, was appointed as the Director of the Company on 11 June 2019 and was re-designated as the executive Director of the Company on 16 August 2019. Ms. Yap is also a director of one of the subsidiaries of the Group. She is mainly responsible for overseeing overall human resources, administration, financial management and accounting functions of the Group. Ms. Yap is one of the controlling Shareholders of the Company.

Ms. Yap has more than 38 years of financial and corporate finance experience. Prior to joining the Group, Ms. Yap worked as accounts clerk at Yeo Hiap Seng Trading Sdn. Bhd. from June 1983 to September 1989, and continued to work at the company as accounts assistant from October 1989 to February 1992. From February 1992 to June 1993, Ms. Yap worked as accounts supervisor at Chocolate Products Trading Sdn. Bhd. and continued to work at the company as accounts officer and senior finance executive from July 1993 to December 1995 and January 1996 to June 1999 respectively. From June 1999 to November 2000, Ms. Yap worked as assistant accounting manager at Taylor Nelson Sofres Malaysia Sdn. Bhd.. From November 2000 to June 2001, Ms. Yap worked as accountant at MIMOS Berhad. From June 2001 to September 2006, Ms. Yap worked as group finance & accounts head and director at PJI Holdings Berhad (stock code: 7122, now known as YFG Berhad, a company listed on the Bursa Malaysia Securities). Since joining the Group in September 2006, Ms. Yap has become the group financial controller of Micron (M). She has also been appointed as the group financial controller of Channel Systems (Asia) since January 2016.

Ms. Yap obtained a higher stage group diploma in accounting from the London Chamber of Commerce and Industry in March 1984. Ms. Yap was certified as a registered accountant with the Malaysian Institute of Accountants in July 1999 and has become a chartered accountant with the institute since June 2001. She was admitted as an associate of the Association of Chartered Certified Accountants in May 1999 and has become a fellow of the association since May 2004. She has been an associate of the Chartered Tax Institute of Malaysia (formerly known as the Malaysian Institute of Taxation) since November 2003, an ASEAN Chartered Professional Accountant since April 2018, and a member of the Registered Company Secretary with The Companies Commission of Malaysia since November 2018 to date. In addition, she was admitted as an affiliate member of the Association of International Accountants in October 1993 and had been an associate of the association from February 1996 to December 1999. She was also certified as a member of the Financial Planning Association of Malaysia from September 2003 to August 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Seng Leong, aged 62, was appointed as the independent non-executive Director of the Company on 3 September 2020. He is the chairman of the remuneration committee and a member of the audit committee and the nomination committee. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

Mr. Ng Seng Leong has a vast experience in the financial industry. He held a number of positions in various financial institutions from 1985 to 2004. From September 2004 to March 2013, he served at JP Morgan Asset Management (Asia Pacific) Limited (formerly known as JF Asset Management Limited) as managing director and head of central dealing. From February 2015 to September 2017, he became director at Apex Investment Services Berhad. Mr. Ng was also a certified financial planner with the Financial Planning Association of Malaysia from March 2003 to December 2017. He served at JF Asset Management Limited as the representative for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities from September 2004 to December 2007; as the representative of the company for Type 2 (dealing in futures contracts) regulated activity from February 2006 to December 2007; and as the responsible officer for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities from December 2007 to March 2013.

Mr. Ng obtained a bachelor degree in technology from University of Bradford in July 1983. He further obtained a master degree in business administration from the same institute in December 1984.

Mr. Wu Chun Sing (鄔晉昇), aged 39, was appointed as the independent non-executive Director of the Company on 3 September 2020. He is a member of the audit committee. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

Mr. Wu has more than 17 years of experience in auditing, accounting and financial reporting. Mr. Wu started his career at Ernst & Young in September 2004 as staff accountant until September 2006, and was subsequently promoted to (1) senior accountant in October 2006, (2) manager in October 2010, and (3) senior manager, his last position, from October 2013 to August 2015, in charge of assurance matters. From May 2016 to date, Mr. Wu has been the sole proprietor of PW CPA & Co., a firm of certified public accountants in Hong Kong, where he acts as managing partner responsible for management of the firm and reviewing audit engagements.

Mr. Wu has been registered as a practicing member of the Hong Kong Institute of Certified Public Accountants since May 2016. He has been appointed as the Vice President of The Society of Chinese Accountants and Auditors in 2021.

Mr. Wu obtained a degree of Bachelor of Arts (honours) in Accountancy from the Hong Kong Polytechnic University in November 2004.

Mr. Martin Giles Manen, aged 67, was appointed as an independent non-executive director of the Company on 3 September 2020. He is also the chairman of the audit committee and a member of the remuneration and nomination committees.

Mr. Manen has more than 42 years of accounting and management experience in a top accountancy firm, a major multinational conglomerate and other corporations. He started his career at KPMG with whom he served 11 years in Malaysia and the United Kingdom, undertaking audit, tax and business advisory assignments. After leaving KPMG, he worked more than 21 years with Sime Darby Group, holding various senior positions including group tax controller, group company secretary, group finance director and divisional director of the Allied Products & Services Division until his departure in 2007. He then served as chief executive officer of a public relations and communications consultancy for a short period before focusing on being an independent director and consultant to various corporations.

Mr. Manen has been appointed as an independent non-executive director of Top Glove Corporation Berhad, a public company listed on the Main Market of Bursa Malaysia Securities and the Main Board of the Singapore Exchange, from 25 January 2022.

He is currently an independent non-executive director of Bermaz Auto Berhad and Top Glove Corporation Berhad, both public companies listed on Bursa Malaysia Securities as well as BOS Wealth Management Malaysia Berhad (formerly known as Pacific Mutual Fund Berhad) and Hong Leong MSIG Takaful Berhad, both unlisted public companies. He has served previously as independent non-executive director of Unisem (M) Berhad and Hong Leong Investment Bank Berhad. Mr. Manen was an independent non-executive director of Heineken Malaysia Berhad, a public company listed on Bursa Malaysia Securities from August 2008 to 21 May 2021.

Mr. Manen is a chartered accountant and a member of the Malaysian Institute of Accountants. He is also a member of the Malaysian Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Loh Wei Loon, aged 43, is the sales and marketing manager of the Group and is primarily responsible for formulating the sales target and marketing strategies, managing the sales department and customer relationship as well as developing the business in Southeast Asia. He joined the Group in May 2010. Mr. Loh has over 19 years of sales and customer services experience in mechanical engineering industry. He joined ASM Assembly Equipment (M) Sdn. Bhd. in April 2006 as service engineer. He joined the Group in May 2010 initially as sales and marketing executive of Micron (M), where he was engaged in sales and marketing as well as business development, and was subsequently promoted as assistant sales and marketing manager in April 2011, where he was mainly responsible for overseeing sales and marketing as well as business development; since July 2012, he has served as sales and marketing manager, where he was mainly in charge of leading the sales team and reporting to general manager.

Mr. Loh obtained a bachelor degree in technology (management) from University of Ballarat (now known as Federation University Australia) in December 2002.

Mr. Luah Kok Lam, aged 53, is the assistant general manager of the Group and is primarily responsible for overseeing business development and marketing of the Group. Mr. Luah has substantial experience in cleanroom industry. He joined the Group in January 2007 initially as senior sales manager of Channel Systems (Shanghai), where he was responsible for overseeing sales and project managements for cleanroom products, and was promoted as assistant general manager of Channel Systems (Shanghai) in July 2011, assuming the same responsibilities; subsequently, he was transferred to Channel Systems (Asia) since January 2017, serving the same title and responsibilities.

Mr. Hartono Liu Chan Ong, aged 42, is the senior project manager of the Group and is primarily responsible for overseeing the overall operations in engineering and projects control of Channel Systems (Shanghai). Mr. Liu has over 18 years of experience in mechanical engineering industry. He joined the Group in December 2006. He joined Kanzen Tetsu Sdn. Bhd. in January 2003 as production engineer, and is responsible for monitoring daily production operation. He joined the Group in December 2006 initially as production engineer of Channel Systems (Shanghai), where he was responsible for monitoring production for projects sized below RMB100,000, and subsequently advanced to several positions including 1) senior project engineer from July 2008, responsible for monitoring overall operations for projects sized between RMB100,000 and RMB1 million; and 2) assistant project manager from July 2010, where he was in charge of overall operations for projects sized above RMB1 million. He left the Group briefly and rejoined the Group in March 2012 as a project manager, where he was in charge of overall operations for projects with higher requirements as well as engineering staff training. He was promoted to the position of senior project manager since July 2017, overseeing project operations and reporting to general manager.

Mr. Liu obtained a bachelor degree with first class honour in mechanical and manufacturing engineering from Liverpool John Moores University in September 2002.

Mr. Khor Why Ping, aged 42, is the senior operation and quality manager of the Group and is primarily responsible for overseeing the overall operations in engineering and productions coordination, sales services as well as quality control of Channel Systems (Shanghai). Mr. Khor has over 15 years of operation experience in cleanroom engineering industry. He joined the Group in June 2010. Prior to joining the Group, he has worked as operation manager at Suzhou Flexcon Clean Room Systems Co., Ltd. from November 2006 to September 2009, responsible for overseeing overall factory operations. He joined the Group in June 2010 initially as assistant production and quality manager of Channel Systems (Shanghai), where he was in charge of production planning and quality control, and subsequently advanced to operation and quality manager from June 2013 before his current role since January 2018.

Mr. Khor obtained a bachelor degree with honours in engineering (process and food) from University of Putra Malaysia in April 2004.

COMPANY SECRETARY

Ms. Wong Pui Yin Peony (黃佩彥), was appointed as the company secretary of the Company on 16 August 2019. Ms. Wong is a senior manager of corporate services division of Tricor Services Limited. She has over 20 years of experience in providing company secretarial services to private and listed companies. Ms. Wong is also the company secretary of SinoMab BioScience Limited (stock code: 3681) and Sino Gas Holdings Group Limited (stock code: 1759), both listed on the Main Board of the Stock Exchange.

Ms. Wong graduated from The University of New South Wales with a bachelor of commerce degree in accounting and finance in June 1996 and subsequently a master of business administration degree in June 2002. She has been a certified practising accountant of CPA Australia (formerly known as the Australian Society of Certified Practising Accountants) since January 2000 and a certified public accountant of Hong Kong Institute of Certified Public Accountants since May 2019.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards and plays a major role in the supervision of corporate governance to ensure that the Company maintains a sound governance framework and the long-term sustainable Shareholders' value. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

The Shares have been listed on the Stock Exchange since 15 October 2020 (the "**Listing Date**"). The Board is of the view that, throughout the year ended 31 December 2021 (the "**Year**"), the Company has fully complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 as set out under the paragraph of "Chairman and Chief Executive" in this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions throughout the Year and up to the date of this annual report.

The Company has also adopted the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company throughout the Year and up to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable laws and regulations. The Board monitors the Company's sustainability performance and provides comments about its strategies. To ensure the integration of sustainability-related issues into our reporting priorities, the Board oversees the review and approval process of i) the annual publication of the environmental, social and governance report, and ii) the outcomes of stakeholder engagement and materiality assessment. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the Year to be published in due course in accordance with the Listing Rules.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The structure, size and composition of the Board are subject to review from time to time to ensure that the Board (i) has a balanced composition of skills and experience appropriate for the business of the Group; and (ii) provides adequate checks and balances among the Directors to safeguard the interests of the Shareholders and to enable the Board to exercise independent judgment.

As at the date of this annual report, the Board comprises the following Directors:

Executive Directors

Mr. Ng Yew Sum *(Chairman)*
Mr. Law Eng Hock
Mr. Lim Kai Seng
Mr. Chin Sze Kee
Ms. Yap Chui Fan

Independent Non-executive Directors

Mr. Ng Seng Leong
Mr. Wu Chun Sing
Mr. Martin Giles Manen

The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 17 to 22 of this annual report. None of the members of the Board is related to one another.

Board Meetings and Directors' Attendance Records

Pursuant to code provision A.1.1 of the CG Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Ten Board meetings were held during the Year.

Pursuant to code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. Apart from the regular Board meetings, the Chairman of the Company also held one meeting with the independent non-executive Directors without the presence of other Directors during the Year.

Two general meetings of the Company were held during the Year. Independent non-executive Directors have attended the general meetings to gain and develop a balanced understanding of the view of Shareholders.

Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

The agenda and the accompanying meeting papers are sent in full to all Directors or the relevant committee members at least seven working days before the date of meetings (or such other period as the members may agree). The Directors are allowed to include into the draft agenda any additional matters that they wish to discuss and resolve at the meetings.

Minutes of each Board and Board committees' meeting record in sufficient details the matters considered and decisions made, including any concerns or views of the Directors or the relevant committee members or dissenting views expressed. Final version of minutes are circulated to all Directors or committee members for their perusal prior to confirmation of the minutes at the subsequent Board or Board committees' meeting. The Directors or committee members may request for clarification or raise comments before the minutes are tabled for confirmation. Upon receiving confirmation from the Directors or committee members, the minutes will be signed by the chairman of the meeting as a correct record of the proceedings of the meeting and kept by the accounts department of the Company, and are open for inspection at any reasonable time on reasonable notice given by any Director or committee member.

A summary of the attendance records of the Directors at the Board meetings held during the Year is set out below:

Name of Directors	Attendance at Board meetings	Attendance at general meetings
Executive Directors		
Mr. Ng Yew Sum	10/10	2/2
Mr. Law Eng Hock	9/10	2/2
Mr. Lim Kai Seng	10/10	2/2
Mr. Chin Sze Kee	10/10	2/2
Ms. Yap Chui Fan	10/10	2/2
Independent Non-executive Directors		
Mr. Ng Seng Leong	10/10	2/2
Mr. Wu Chun Sing	10/10	2/2
Mr. Martin Giles Manen	10/10	2/2

Chairman and Chief Executive

The Chairman provides leadership and is responsible for effective functioning and leadership of the Board, while the chief executive is delegated with the authorities to focuses on the Company's business development and daily management and operations generally.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the Year, the post of chief executive had been vacant and the duties of chief executive were performed by the chairman of the Company, Mr. Ng Yew Sum. The Board considers that the balance of power and authority, accountability and independent decision-making under its present arrangement will not be impaired in light of the diverse background and experience of its three independent non-executive Directors. Further, the Audit Committee comprises exclusively of independent non-executive Directors has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. However, the Board will continue to review the current structure and if a candidate with suitable knowledge, skill and experience is identified, the Board will make an appointment to fill the post of chief executive as appropriate.

Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial views and opinions on issues of the Company's strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of executive Directors and independent non-executive Directors, in particular, to the Board and ensures constructive relationship among executive Directors and independent non-executive Directors.

During the Year, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The executive Directors have entered into service agreements with the Company for a fixed term of three years commencing from 3 September 2020 subject to termination in certain circumstances as stipulated in the relevant service agreements or by not less than three months' notice in writing sent by either party to the other. Each of the independent non-executive Directors has accepted his appointment with the Company with an initial term of one year commencing from 3 September 2020 subject to termination in certain circumstances as stipulated in the relevant letters of appointment. On 3 September 2021, each of the independent non-executive Directors has signed a letter of appointment for a further term of one year from 3 September 2021.

The procedures and process of appointment, re-election and removal of Directors are set out in the articles of association of the Company (the "**Articles of Association**") and the nomination policy of the Company. The Nomination Committee is responsible for reviewing the Board composition, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

All Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that any Director appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment and any Director appointed by the Board as an addition to the Board shall be eligible for re-election at the next following annual general meeting. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board has multiple responsibilities to the Company, including setting strategic goals, establishing long-term strategies, and ensuring that the necessary financial and human resources are in place for the Company to meet its business objectives. It is also tasked with establishing a framework of effective controls for managing risks, with the particular aim of safeguarding the Company's assets and the interests of the Shareholders. Further, the Board is responsible for reviewing the performance of the Company's management and, more generally, setting and consolidating the Company's values and standards. The Directors take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve any conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

Three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, have also been established to oversee particular aspects of the Group's affairs. Details of these three Board committees are set out from pages 29 to 32 below.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them.

Continuous Professional Development of Directors

Directors have kept abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

The training records of the Directors for the Year are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Mr. Ng Yew Sum	A
Mr. Law Eng Hock	A
Mr. Lim Kai Seng	A
Mr. Chin Sze Kee	A
Ms. Yap Chui Fan	A, B
Independent Non-executive Directors	
Mr. Ng Seng Leong	B
Mr. Wu Chun Sing	A, B
Mr. Martin Giles Manen	A, B

Notes:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee (collectively, the "**Board Committees**"). All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of each of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Martin Giles Manen, Mr. Ng Seng Leong and Mr. Wu Chun Sing. Mr. Martin Giles Manen is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditors, review the financial statements and information and provide advice in respect of financial reporting and risk management, and oversee the internal control procedures of the Company.

During the Year, three Audit Committee meetings were held.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Martin Giles Manen *(Chairman)*	3/3
Mr. Ng Seng Leong	3/3
Mr. Wu Chun Sing	3/3

During the Year, the Audit Committee had performed the following works:

- reviewed the audited annual financial statements for the year ended 31 December 2020;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2021;
- made recommendations to the Board for approval the above-mentioned financial statements respectively;
- reviewed and approved the audit closing memorandum presented by the external auditors;
- discussed with the management and the external auditors about the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed the risk management and internal control systems;

- recommended to the Board on the re-appointment of the external auditors; and
- determined the interim review and annual audit fees of the external auditors.

Apart from the regular Audit Committee meetings, the Audit Committee also held a meeting with the external auditors without the presence of the executive Directors.

This annual report for the year ended 31 December 2021 has been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Ng Seng Leong, Mr. Martin Giles Manen and Mr. Ng Yew Sum. Mr. Ng Seng Leong is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration.

The Company has adopted a share option scheme as an incentive to eligible persons, details are set out in the paragraph "Share Option Scheme" under the section "Report of the Directors" in this annual report.

During the Year, four Remuneration Committee meetings were held.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Ng Seng Leong *(Chairman)*	4/4
Mr. Martin Giles Manen	4/4
Mr. Ng Yew Sum	4/4

During the Year, the Remuneration Committee had performed the following works:

- reviewed the remuneration policy and structure of the Group; and
- discussed and recommended the remuneration packages of the Directors and senior management for the Board's approval.

The Group's remuneration policy is structured to attract and retain high quality staff and to enable smooth operation. The Group offered competitive remuneration packages which considered factors such as corporate result, individual capability and performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions. The remuneration packages are subject to review on a regular basis.

The remuneration paid to the members of senior management (excluding the Directors) by bands for the Year is set out below:

Emolument Band	Number of Individuals
Nil to HK$1,000,000	4

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Ng Yew Sum, Mr. Martin Giles Manen and Mr. Ng Seng Leong. Mr. Ng Yew Sum is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy as stated below. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy as stated below that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Year, one Nomination Committee meeting was held.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Ng Yew Sum *(Chairman)*	1/1
Mr. Martin Giles Manen	1/1
Mr. Ng Seng Leong	1/1

During the Year, the Nomination Committee had performed the following works:

- reviewed the existing structure, size, composition and diversity (including but not limited to gender, age, cultural, education background, ethnicity, professional experience, skills, knowledge and length of service in the Company) of the Board;
- reviewed the Board diversity policy and the nomination of directors policy and procedures of the Company;
- assessed the independence of the independent non-executive Directors; and
- recommended to the Board on the re-election of retiring Directors.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Board believes that greater diversity of directors is good for corporate governance because it promotes board effectiveness and enables better decisions to be made due to the lessened risk of groupthink.

In designing and reviewing the Board's structure, size and composition (including the process of identification and selection of potential candidates for nomination to directorship), diversity shall be considered from all relevant aspects, including but not limited to qualification, skills, experience, gender, age, cultural and educational background and any other factors that the Board may consider appropriate from time to time taking in account the Company's business model and specific needs.

Identification and selection of potential candidates for nomination to directorship will be based on the Company's Nomination Policy from time to time in force and will take into account this Policy. The ultimate decision will be based on merit and contribution that the potential candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the specific needs of the Company without focusing on a single diversity aspect.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board shall from time to time monitor and review the Board Diversity Policy to ensure it remains relevant to the Company's needs and reflects current regulatory requirements and good corporate governance practices.

Director Nomination Policy

The Company has adopted a Director Nomination Policy which sets out the procedures and criteria to be adopted by the Nomination Committee of the Company in relation to the selection, appointment and reappointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

— whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;

— the individual's character and reputation for integrity;

— whether the individual would be able to devote sufficient time to the Board;

— (in respect of appointment and reappointment of independent non-executive Directors) independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;

— how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy of the Company from time to time in force; and

— Board succession planning considerations.

The Board or the Nomination Committee shall deploy such channel(s) for identifying suitable director candidates as it deems appropriate, including but not limited to referrals from existing Directors, Shareholders, advisers and third-party agency firms and advertisements.

The Nomination Committee shall adopt such process as it deems appropriate in evaluating the suitability of the potential candidates, such as interviews, background checks and third party reference checks, and select or make recommendations to the Board on the selection of individuals to be nominated for directorships based on the selection criteria set out above.

The ultimate responsibility for the selection and appointment of Directors shall rest with the entire Board.

The Board shall from time to time monitor and review the Director Nomination Policy to ensure it remains relevant to the Company's needs and reflects current regulatory requirements and good corporate governance practices.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that the Directors should be collectively responsible for the corporate governance duties. Such duties are included but not limited to:

— develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

— review and monitor the training and continuous professional development of Directors and senior management;

— review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

— review the Company's compliance with the CG Code and its disclosure requirements in this annual report.

At the Board meeting held on 30 March 2022, the Board has reviewed and performed the abovesaid corporate governance functions.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Board will cautiously review any material risk related to significant business decisions before making or approving such decisions.

Each department head and senior management of the Group monitor daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks.

The finance department will closely monitor and track the ageing of trade receivables, and regularly update the status of outstanding/unpaid payments due to the Group to ensure that timely and necessary measures are taken to recover outstanding receivables.

The Board, through the Audit Committee, has continuously monitored and annually reviewed the adequacy and effectiveness of the Group's risk management and internal control systems.

The Group has appointed Ballas Capital Limited as compliance adviser of the Company in compliance with the Listing Rules.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Year.

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls and considered that such systems for the year ended 31 December 2021 are effective and adequate. The annual review also covered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Company has appointed internal auditors for performing independent review of the accuracy and effectiveness of the risk management and internal control systems. The internal auditors examined key issues in relation to customers credit evaluation and overdue payment collection and provide findings and recommendations for improvements to the Audit Committee. In addition, the Audit Committee has communicated with the external auditors of the Company, Grant Thornton Hong Kong Limited, to understand if there is any material control deficiency.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

DISCLOSURE OF INSIDE INFORMATION

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

The Group acknowledges its responsibilities under the Securities and Futures Ordinance ("**SFO**") and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

i. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside information" published by the Securities and Futures Commission of Hong Kong in June 2012;

ii. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

iii. The Group has strictly prohibited the unauthorised use of confidential or inside information and reinforced the awareness to the obligations in preserving confidentiality of inside information within the Group; and

iv. Sending blackout period and securities dealing restrictions notification to the Directors and relevant employees regularly.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Year.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 59 to 64 of this annual report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the external auditors of the Company in respect of audit services and non-audit services for the Year amounted to RMB1.4 million and RMB0.3 million, respectively. An analysis of the remuneration paid or payable to the external auditors of the Company, in respect of audit services and non-audit services, for the Group for the Year is set out below:

Service Category	**Amount** (RMB'000)
Audit Services	
— Annual audit	1,385
Non-audit Services	255

COMPANY SECRETARY

Ms. Wong Pui Yin, Peony ("**Ms. Wong**") of Tricor Services Limited, which is an external services provider, has been engaged by the Company as its company secretary. The biographical details of Ms. Wong are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Yap Chui Fan, an executive Director, has been designated as the primary contact person at the Company which would work and communicate with Ms. Wong on the Company's corporate governance and secretarial and administrative matters.

For the Year, Ms. Wong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should follow the requirements and procedures as set out in the Articles of Association for convening a general meeting.

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may also make enquiries to the Board at general meetings of the Company. In addition, Shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Lot P.T. 14274, Jalan SU8, Persiaran Tengku Ampuan, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia (For the attention of the Investor Relations Department)
Telephone:	+603-5192 3333
Email:	ir@channelsystemsasia.com.my

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

ARTICLES OF ASSOCIATION

During the Year, the Company has not made any amendment to its Articles of Association. An up-to-date version of the Articles of Association is available on the website of the Company and the Stock Exchange, respectively.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy that sets out the Company's standards and practice in relation to communicating with its Shareholders and prospective investors. The Company is committed to maintaining effective and timely dissemination of the Company's information to its Shareholders and the market. The Company believes that providing regular communications to its Shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Company's strategies, operations and financial performance. The policy is subject to regular review by the Board and will be amended (as appropriate) from time to time to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company currently plans to pay a total dividend in respect of each year of approximately 30% to 40% of our consolidated profit attributable to the Shareholders. When proposing a dividend, the Company will take into account, among other things, the future operations and earnings, the business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as the Directors consider appropriate. There is no requirement or assurance that the Company will declare and pay any dividends. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Law**"). Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid except out of our distributable profit and funds that are lawfully available for distribution under the Cayman Companies Law.

REPORT OF THE DIRECTORS

The Board of Channel Micron Holdings Company Limited presents their report together with the audited financial statements of the Group for the year ended 31 December 2021.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2019. The principal place of business of the Company in Malaysia is located at Lot P.T. 14274, Jalan SU8, Persiaran Tengku Ampuan, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company in Hong Kong is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company's Shares were listed on the Main Board of the Stock Exchange on 15 October 2020.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of cleanroom wall and ceiling systems and cleanroom equipment in the PRC and Malaysia.

The principal activities of the principal subsidiaries of the Company are set out in Note 16 to the consolidated financial statements of this annual report.

The segment information of the operations of the Group for the Year is set out in Note 5 to the consolidated financial statements of this annual report.

FINANCIAL RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

BUSINESS REVIEW

The business review of the Group during the Year and a discussion of the Group's future business development are set out in the section headed "Chairman's Statement" on page 5 of this annual report. An analysis of the Group's performance during the Year based on the financial key performance indicators is set out in the section headed "Five-Year Financial Summary" on page 144 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the Year to be published in due course in accordance with the Listing Rules.

MAJOR RISKS AND UNCERTAINTIES

There are certain risks and uncertainties involved in the Group's operations, some of which are beyond the Directors' control. Save as disclosed in Note 32 to the consolidated financial statements of this annual report, the major risks and uncertainties the Group faces during the Year are set out below:

(i) the Group has not entered into long term agreements with its customers and its revenue relies on the continual success in contract tenders or quotations, which are non-recurring in nature. If the Group fails to secure new contracts and orders on favourable terms or at all, the business and results of operations of the Group could be materially and adversely affected;

(ii) the Group relies on a few major customers and any significant decrease in the number of contracts sourced from these customers may materially and adversely affect the financial performance and results of operations of the Group;

(iii) the business, results of operations and financial position of the Group could be adversely affected by the outbreak of COVID-19;

(iv) defective or unsatisfactory products or products which fail to comply with safety and quality standards may lead to a loss of customers and sales and may subject the Group to product liability claims, which could result in significant costs or negatively affect the reputation of the Group;

(v) unsatisfactory performance of its subcontractors or unavailability of subcontractors may adversely affect the operation and profitability of the Group;

(vi) the Group determines the quotation or tender price based on the estimated time and costs involved in a contract which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect the financial results of the Group;

(vii) the business of the Group is project-based in nature and the Group may not be able to make accurate production planning;

(viii) the business of the Group depends on the strength of its brand and reputation and any failure to maintain and enhance its brand and reputation may materially adversely affect the level of market recognition of, and trust in, the products of the Group;

(ix) the Group is exposed to credit risks of its customers;

(x) unexpected disruptions in the operations of its production facilities or production process may materially and adversely affect the business and results of operations of the Group;

(xi) fluctuation in the availability, price and quality of the raw materials of the Group may materially and adversely affect the business and results of operations of the Group;

(xii) the preferential tax treatment that the Group currently enjoys may be changed or discontinued, which may adversely affect the business, results of operations and financial condition of the Group;

(xiii) the expansion and future plans of the Group might not be successful and could contribute to the fluctuations of the financial results of the Group; and

(xiv) the Group's business, operation and group structure may be affected by changes to regulatory requirements in China and Malaysia.

The Board of Directors is responsible and has the general power to manage the direction of the Company, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks are reviewed, analysed and approved by the Board of Directors to ensure a thorough examination of the associated risks at the Group's highest corporate governance body.

The above is not an exhaustive list. For further details of risk management and internal control of the Group, please refer to the section headed "Risk Management and Internal Controls" on pages 34 to 35 of this annual report. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL, HEALTH AND SAFETY AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is subject to certain health, work safety, social and environmental laws and regulations in the PRC, Malaysia and the Philippines. Ms. Yap Chai Fan, an executive Director, is responsible for monitoring compliance with legal and regulatory requirements and the internal standards in respect of such matters. The Group believes that sustainable development is crucial to the development of a corporate and actively implements the concept of sustainable development at every level of the operation so as to create a better future for the community and the corporate. The Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Rules Governing the Listing Rules.

During the Year, the Group has not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and has not encountered any fatal accidents involving the Group's employees or products.

So far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There was no material violation of or non-compliance with applicable laws and regulations by the Group during the Year.

RELATIONSHIP WITH KEY STAKEHOLDERS

Employees

The Group believes that employees are valuable assets. Training and retaining good employees are always at top priorities. Besides on-the-job trainings and funding for continuous learning, the Group provides a competitive remuneration package to attract and motivate employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group is also passionately committed to developing staff and provides employees with rewarding career paths and a friendly working environment.

Customers

Keeping strong relationship with the customers is critical to maintain the competitiveness of the Group. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the Group's products and services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner. In addition, the Group engages in market research and business development activities to discover business opportunities with potential customers.

Suppliers

The Group selects suppliers through standard procedures that are formulated in accordance with the ISO 9001 standards while subcontractors are evaluated selected based on their technical capability, service quality, price, management, credibility and track record. The Group maintains a list of approved suppliers and assess their performance annually based on their product quality, price, timeliness of delivery, and track record of compliance with our order specifications. The Group also maintains a list of approved subcontractors and performs review on the approved subcontracts and monitors their performance on a regular basis. The Group also purchases certain raw materials from designated brands or pre-approved suppliers of the customers based on their product specifications in the tender documents. To ensure quality and timely delivery, the Group reinforces business partnerships with suppliers and subcontractors by ongoing communication in a proactive and effective manner.

DIVIDEND

The Board recommends the payment of the Final Dividend of HK0.67 cents per Share for the Year to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 9 June 2022. The Final Dividend will be paid on or before Thursday, 23 June 2022, subject to the Shareholders' approval at the AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The AGM will be held on Tuesday, 31 May 2022 and for the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive, during the period no transfer of the shares will be registered. To qualify for attending and voting at the AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 25 May 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming AGM, for the purpose of determining the Shareholders' entitlement to the Final Dividend, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Thursday, 9 June 2022, both days inclusive, during the period no transfer of the shares will be registered. To qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 6 June 2022.

DONATION

No charitable donations were made by the Group during the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

The Company issued 350,000,000 new Shares at the issue price of HK$0.36 per Share in connection with the listing. Net proceeds from the Listing, after deducting the underwriting commission and other estimated expenses in connection with the Listing, amounted to approximately RMB47.5 million. For details of the utilisation of the net proceeds as at 31 December 2021, please refer to the section headed "Use of Proceeds from Initial Public Offering" in this annual report.

Further details of movements in the share capital of the Company during the Year are set out in Note 26 to the consolidated financial statements of this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and of the Company for the Year are set out in the consolidated statement of changes in equity on pages 69 to 70 of this annual report and Note 28 to the consolidated financial statements of this annual report, respectively.

As of 31 December 2021, the Company's aggregate amount of reserve available for distribution to Shareholders amounted to RMB174.4 million (2020: 171.5 million).

EQUITY LINKED AGREEMENTS

No equity linked agreements were entered into by the Company during the Year. For the equity linked agreement subsisting as at 31 December 2021, please refer to the paragraph headed "Share Option Scheme" below.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or applicable laws of the Cayman Islands where the Company is incorporated.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Five-Year Financial Summary" on page 144 of this annual report.

TAX RELIEF AND EXEMPTION OF HOLDER OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to Shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares since the period commencing from the Listing Date and up to the date of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were there rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 3 September 2020 (the "**Share Option Scheme**"). The following is a summary of the principal terms of the Share Option Scheme:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

(iii) Maximum number of the Shares

(a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time;

(b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding 140,000,000 Shares) on the Listing Date.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being.

(v) Grant of options to the Directors, chief executive or substantial shareholders of the Company or their respective associates

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).

Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. As at the date of this report, the remaining life of the Share Option Scheme is around 8.5 years.

During the Year, no share options have been granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Ng Yew Sum *(Chairman)*
Mr. Law Eng Hock
Mr. Lim Kai Seng
Mr. Chin Sze Kee
Ms. Yap Chui Fan

Independent Non-executive Directors

Mr. Ng Seng Leong
Mr. Wu Chun Sing
Mr. Martin Giles Manen

In accordance with Article 84 (1) of the Articles of Association, Mr. Law Eng Hock, Mr. Chin Sze Kee and Mr. Lim Kai Seng, shall retire from office by rotation at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

Biographical details of Directors and senior management are set out on pages 17 to 22 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors until 2 September 2023. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

Each of the independent non-executive Directors has signed a letter of appointment with the Company. The term of office of the independent non-executive Directors will end on 2 September 2022. Either the Company or the Director has the right to give the other party not less than thirty days prior written notice to terminate the agreement.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the related party transactions as disclosed in Note 29 to the consolidated financial statements of this annual report, no contracts of significance was entered into between the Company or any of its subsidiaries and any controlling shareholders of the Company or its subsidiaries subsisted during or at the end of the Year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save for the related party transactions as disclosed in Note 29, to the consolidated financial statements of this annual report, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with such Director) had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, so far as the Directors are aware, none of the Directors and controlling shareholders of the Company, neither themselves nor their respective close associates, had held any position or had interests in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2021, the interests or short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be recorded in the register therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Company

Name of Directors	Nature of interests	No. of ordinary shares held [1]	Approximate percentage of issued share capital of the Company
Mr. Ng Yew Sum ("**Mr. Ng**")	Beneficial owner	324,608,550 (L)	23.19%
Mr. Law Eng Hock	Beneficial owner	60,040,050 (L)	4.29%
Mr. Lim Kai Seng	Beneficial owner	36,877,050 (L)	2.63%
Ms. Yap Chui Fan	Beneficial owner	36,951,600 (L)	2.64%
Mr. Chin Sze Kee	Beneficial owner	37,061,850 (L)	2.65%

Note:

1. The letter "L" denotes the person's long position in the shares.

(ii) Interests in the associated corporation

Name of Director	Name of associated corporation	Nature of interests	Number of shares	Approximate percentage of shareholding
Mr. Ng	Micron Cleanroom (Philippines), Inc. ("**Micron Cleanroom**")	Beneficial owner	1,000	0.01%
Ms. Yap Chui Fan	Micron Cleanroom	Beneficial owner	1,000	0.01%
Mr. Chin Sze Kee	Micron Cleanroom	Beneficial owner	1,000	0.01%

Save as disclosed above and so far as is known to the Directors, as at 31 December 2021, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors, as at 31 December 2021, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of Interests	No. of ordinary shares held [1]	Approximate percentage of issued share capital of the Company
Ms. Yap Fui Lee [2]	Interest of spouse	324,608,550 (L)	23.19%
Mr. Francis Chia Mong Tet ("**Mr. Chia**") [3]	Founder of discretionary trust	143,873,100 (L)	10.27%
Ms. Yau Ah Lan @ Fara Yvonne [3]	Interest of spouse	143,873,100 (L)	10.27%
DBS Trustee Limited [3]	Trustee of a trust	143,873,100 (L)	10.27%
Mr. Douglas Frederick Bockmiller [4], [6]	Beneficial owner	62,258,700 (L)	4.45%
	Interest of controlled corporation and interest of spouse	165,068,400 (L)	11.79%
Mrs. Lauren Lindquist Bockmiller [5], [6]	Beneficial owner	32,258,700 (L)	2.30%
	Founder of a discretionary trust, interest of controlled corporation and interest of spouse	195,068,400 (L)	13.94%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Ms. Yap Fui Lee is the spouse of Mr. Ng. By virtue of the SFO, she is deemed to be interested in Mr. Ng's shares of the Company.

3. DBS Trustee Limited, the trustee of THE ANF HAUS TRUST, in its capacity as trustee holds the entire issued share capital of Chempenai Haus Limited which held 143,873,100 shares of the Company. Mr. Chia is a cofounder, settlor and beneficiary of THE ANF HAUS TRUST together with his spouse, Ms. Yau Ah Lan @ Fara Yvonne. By virtue of the SFO, Mr. Chia and Ms. Yau Ah Lan @ Fara Yvonne are deemed to be interested in the shares held by THE ANF HAUS TRUST through Chempenai Haus Limited.

4. Mr. Douglas Frederick Bockmiller held 62,258,700 shares of the Company as beneficial owner.

   Each of Channel Systems Inc. and Pacific Panels Inc. held 51,404,850 shares of the Company. They are owned by Mr. Douglas Frederick Bockmiller as to 45% and 50%, respectively. By virtue of the SFO, Mr. Douglas Frederick Bockmiller is deemed to be interested in the shares of the Company held by Channel Systems Inc. and Pacific Panels Inc.

5. Mrs. Lauren Lindquist Bockmiller held 32,258,700 shares of the Company as beneficial owner.

   Graham Bockmiller Irrevocable Family Trust (the "**Graham Trust**") held 30,000,000 shares of the Company. As Mrs. Lauren Lindquist Bockmiller maintains certain rights and powers over the Graham Trust, by virtue of the SFO, she is deemed to be interested in the shares held by the Graham Trust.

   Channel Systems Inc. held 51,404,850 shares of the Company. It is owned by Mrs. Lauren Lindquist Bockmiller as to 55%. By virtue of the SFO, Mrs. Lauren Lindquist Bockmiller is deemed to be interested in the shares of the Company held by Channel Systems Inc.

6. Mr. Douglas Frederick Bockmiller and Mrs. Lauren Lindquist Bockmiller are spouses of each other. By virtue of the SFO, they are deemed to be interested in each other's shares of the Company.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executives of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

UPDATES ON DIRECTORS' INFORMATION

Saved as disclosed in the section headed "Biographies of Directors and Senior Management", there are no changes in the Directors' biographical details that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules throughout the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the aggregate sales attributable to the Group's largest customer and the Group's five largest customers were 13.8% and 42.8% of the Group's total revenue respectively.

For the Year, the aggregate purchases attributable to the Group's largest supplier and the Group's five largest suppliers were 11.6% and 37.4% of the Group's total cost of sales respectively.

None of the Directors or any of their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers as mentioned above.

RELATED PARTY TRANSACTIONS

A summary of the significant related party transactions which were conducted in the ordinary course of business are set out in Note 29 to the consolidated financial statements of this annual report.

In Note 29, the sales of goods to Sum Technic Sdn. Bhd. ("**Sum Technic**") were continuing connected transactions contemplated under the Sum Group Framework Sales Agreement (as defined below) mentioned in paragraph headed "Continuing Connected Transactions" below.

The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-fully exempt and non-exempt continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions, or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Company have entered into non-fully exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules in the ordinary course of business.

(i) Sum Group Framework Sales Agreement

The Group has entered into the following framework sales agreement (the "**Sum Group Framework Sales Agreement**") with Sum System Solution Sdn. Bhd. and Sum Technic Sdn. Bhd. (together, the "**Sum Group**"):

Parties:	The Company and Sum Group
Effective period:	15 October 2020 to 31 December 2022
Nature of transaction:	The Group agreed to sell, and Sum Group agreed to purchase, cleanroom wall and ceiling systems and cleanroom equipment (including components and parts) (the "**Products**").
Annual cap:	For the year ended/ending 31 December 2020: RMB5,000,000 2021: RMB13,000,000 2022: RMB15,000,000

Mr. Ng Yew Sum, one of the controlling shareholders of the Company, owns 45.3% of Sum System Solution Sdn. Bhd. and 51.0% of Sum Technic Sdn. Bhd. Accordingly, each member of the Sum Group is an associate of Mr. Ng Yew Sum and a connected person of the Company under Chapter 14A of the Listing Rules.

During the Year, the Group manufactured the Products and supplied to the Sum Group amounted to RMB0.2 million pursuant to the Sum Group Framework Sales Agreement.

(ii) CSI Framework Sales Agreement

The Group has entered into the following framework sales agreement (the "**CSI Framework Sales Agreement**") with Channel Systems, Inc. ("**CSI**"):

Parties:	The Company and CSI
Effective period:	16 December 2021 to 31 December 2023
Nature of transaction:	The Group agreed to manufacture and supply, and CSI agreed to purchase, cleanroom wall and ceiling systems and equipment.
Annual cap:	For the year ended/ending 31 December 2021: USD1.5 million (equivalent to approximately RMB9.6 million) 2022: USD5.0 million (equivalent to approximately RMB32 million) 2023: USD5.0 million (equivalent to approximately RMB32 million)

Mr. Douglas Frederick Bockmiller and Mrs. Lauren Lindquist Bockmiller, owns 45% and 55% of CSI respectively. Mr. Bockmiller and Mrs. Bockmiller are spouses of each other. As at the date of this annual report, Mr. Bockmiller and Mrs. Bockmiller are substantial shareholders of the Company who are collectively interested in 227,327,100 Shares, representing 16.24% of the total issued share capital of the Company. Accordingly, CSI is a connected person of the Company pursuant to Rule 14A of the Listing Rules.

During the Year, the Group manufactured the products and supplied to the CSI amounted to RMB1.7 million pursuant to the CSI Framework Sales Agreement.

Internal Control

In order to ensure the terms of the non-fully exempt continuing connected transactions are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures for the Year:

(i) the finance department of the Company has closely monitored the non-fully exempt continuing connected transactions to ensure that the transaction amount have not exceeded the annual cap, respectively;

(ii) the finance department of the Company has conducted regular random checks to review and assess whether the non-fully exempt continuing connected transactions are conducted on normal commercial terms, in accordance with the terms set out in the related agreements and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;

(iii) pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the non-fully exempt continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(iv) the Company's auditors, Grant Thornton Hong Kong Limited, has conducted an annual review of the transactions entered into under the non-fully exempt continuing connected transactions to ensure that the transaction amount is within the annual cap, respectively and the transactions are in accordance with the terms set out in the related agreements. Also, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton Hong Kong Limited has issued the unqualified letter (a copy of which has been provided by the Company to the Stock Exchange) containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Directors confirm that the Company maintained sufficient public float as required under the Listing Rules.

DEED OF NON-COMPETITION

During the Year, the controlling shareholders of the Company have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition entered into between the controlling shareholders of the Company and the Company dated 3 September 2020.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling shareholders of the Company and duly enforced during the Year.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, the Directors, auditors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has arranged appropriate insurance covering the potential legal actions against its Directors and senior management arising out of corporate activities.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by Grant Thornton Hong Kong Limited who retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint Grant Thornton Hong Kong Limited as auditors of the Company.

Grant Thornton
致同

To the shareholders of Channel Micron Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Channel Micron Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 65 to 143, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Revenue recognition from cleanroom projects	
We identified the revenue recognition from cleanroom projects as a key audit matter as it is significant to the consolidated financial statements and management's estimations are required in determining the progress towards complete satisfaction of the performance obligation and the amount of contract revenue recognised. The scope of work on certain construction works may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the cleanroom projects and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. As disclosed in notes 2.14 and 4.1 to the consolidated financial statements, management measures the value of completed construction works based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction works transferred to the customer to date relative to the remaining construction works promised to be completed under the cleanroom projects. The Group regularly reviews and revises the estimation of contract revenue prepared for each cleanroom project as the contract progresses based on the internal construction progress reports and the certifications issued by the customers. As disclosed in note 5 to the consolidated financial statements, the revenue recognised from cleanroom projects was RMB151,456,000, which represented 57% of the Group's total revenues.	Our procedures in relation to the revenue recognition from cleanroom projects included the following: • obtained an understanding and evaluated the Group's process and control over the recognition of contract revenue, contract cost and budget estimation; • agreed the progress towards complete satisfaction of the performance obligation to the latest customer-certified progress report before and after year end, on a sample basis; • assessed management's estimate of the impact to revenue arising from scope changes made to the original contracts, claims and disputes with reference to supporting documents including variation orders and correspondence among the Group and customers, on a sample basis; • checked to construction costs incurred during the year by tracing to supporting documents, on a sample basis; and • discussed with management and the respective project managers about the progress of major projects and evaluated the estimates and assumptions adopted in the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts and assessed the sufficiency of provision for onerous contract, if any.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Expected credit losses assessment of trade receivables and contract assets	
We identified the expected credit losses ("ECL") of trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements, combined with the significant judgment and management estimates in evaluating the ECL of the Group's trade receivables and contract assets at the end of the reporting period. As disclosed in note 2.7 to the consolidated financial statements, the Group recognises an ECL allowance for trade receivables and contract assets based on lifetime ECL in the current year. In calculating the ECL allowance, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. As disclosed in notes 18 and 19.1 to the consolidated financial statements, net trade receivables and contract assets amounted to RMB73,455,000 and RMB74,253,000 as at 31 December 2021, respectively. The Group recognised net impairment losses of RMB2,140,000 and RMB4,313,000 on trade receivables and contract assets, respectively, for the current year. As at 31 December 2021, the Group's ECL on trade receivables and contract assets amounted to RMB8,154,000 and RMB7,065,000, respectively.	Our procedures in relation to the ECL assessment of trade receivables and contract assets included the following: • obtained an understanding of the process and control over credit risk assessment and how management estimates the ECL allowance for trade receivables and contract assets; • assessed the appropriateness of the ECL allowance calculation methodology used by management; • obtained the ageing and breakdown of trade receivables and contract assets which are assessed based on provision matrix, reviewing their history of repayment and management's assessment on the financial capability of the debtors and forward-looking information used; • discussed with the project managers for their evaluation of the impact of disputes with customers and unforeseen delay of cleanroom projects, if any, on the recoverability of trade receivables and contract assets and checked to relevant correspondences and documents to assess the reasonableness of project managers' evaluation; and • assessed to the appropriateness of classification in the provision matrix on a sample basis and the reasonableness of the provision rate, taking into consideration of historical loss rates and forward-looking information.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

30 March 2022

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Revenue	5	**267,549**	203,629
Cost of sales		**(172,242)**	(131,464)
Gross profit		**95,307**	72,165
Other income	6	**2,577**	2,540
Other gains and losses	7	**1,302**	139
Selling and distribution costs		**(11,392)**	(7,914)
Administrative and other operating expenses		**(35,517)**	(26,943)
Research and development expenses		**(8,256)**	(6,275)
Listing expenses		**–**	(16,116)
Finance costs	8	**(697)**	(898)
Profit before income tax	9	**43,324**	16,698
Income tax expense	11	**(8,630)**	(6,098)
Profit for the year		**34,694**	10,600
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Deficit on revaluation of freehold land and building held for own use		**(449)**	(1,282)
Deferred tax arising from revaluation of freehold land and building		**101**	110
		(348)	(1,172)
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(8,610)**	(5,036)
Other comprehensive expense for the year, net of tax		**(8,958)**	(6,208)
Total comprehensive income for the year		**25,736**	4,392

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**34,634**	10,523
Non-controlling interests		**60**	77
		34,694	10,600
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**25,676**	4,315
Non-controlling interests		**60**	77
		25,736	4,392
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	14	**2.47**	0.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**73,455**	32,567
Deferred tax assets	25	**6,481**	3,436
		79,936	36,003
Current assets			
Inventories	17	**32,012**	20,722
Trade and other receivables	18	**94,652**	70,027
Contract assets	19	**74,253**	55,392
Amounts due from related parties	20	**190**	5
Income tax recoverable		**717**	2,338
Pledged bank deposits	21	**1,624**	1,954
Cash and cash equivalents	21	**110,536**	118,683
		313,984	269,121
Current liabilities			
Trade and other payables	22	**79,569**	60,492
Contract liabilities	19	**14,923**	6,374
Amounts due to related parties	20	**64**	28
Lease liabilities	23	**1,985**	1,905
Borrowings	24	**62,247**	22,852
Income tax payable		**6,121**	2,234
		164,909	93,885
Net current assets		**149,075**	175,236
Total assets less current liabilities		**229,011**	211,239

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	23	**765**	1,068
Deferred tax liabilities	25	**2,389**	2,612
		3,154	3,680
Net assets		**225,857**	207,559
EQUITY			
Share capital	26	**12,152**	12,152
Reserves	27	**213,088**	194,850
Equity attributable to equity holders of the Company		**225,240**	207,002
Non-controlling interests		**617**	557
Total equity		**225,857**	207,559

Ng Yew Sum
Director

Lim Kai Seng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 26)	Share premium RMB'000 (note 27)	Capital reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Translation reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	89	–	38,346	6,878	4,928	13,717	77,287	141,245	656	141,901
Dividend paid (note 13)	–	–	–	–	–	–	(15,000)	(15,000)	(176)	(15,176)
Issuance of share capital pursuant to the Global Offering (note 26b)	3,038	106,303	–	–	–	–	–	109,341	–	109,341
Issuance of share capital pursuant to the Capitalisation Issue (note 26c)	9,025	(9,025)	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issuance of share capital	–	(32,899)	–	–	–	–	–	(32,899)	–	(32,899)
Transfer to statutory reserve	–	–	–	1,116	–	–	(1,116)	–	–	–
Transactions with equity holders	12,063	64,379	–	1,116	–	–	(16,116)	61,442	(176)	61,266
Profit for the year	–	–	–	–	–	–	10,523	10,523	77	10,600
Other comprehensive (expense)/ income for the year:										
Deficit on revaluation of freehold land and building held for own use	–	–	–	–	–	(1,282)	–	(1,282)	–	(1,282)
Deferred tax arising from revaluation of freehold land and building	–	–	–	–	–	110	–	110	–	110
Exchange differences on translation of foreign operations	–	–	–	–	(5,036)	–	–	(5,036)	–	(5,036)
Total comprehensive (expense)/ income for the year	–	–	–	–	(5,036)	(1,172)	10,523	4,315	77	4,392
As at 31 December 2020	12,152	64,379	38,346	7,994	(108)	12,545	71,694	207,002	557	207,559

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 26)	Share premium RMB'000 (note 27)	Capital reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Translation reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	12,152	64,379	38,346	7,994	(108)	12,545	71,694	207,002	557	207,559
Dividend paid (note 13)	–	–	–	–	–	–	(7,438)	(7,438)	–	(7,438)
Transfer to statutory reserve	–	–	–	1,838	–	–	(1,838)	–	–	–
Transactions with equity holders	–	–	–	1,838	–	–	(9,276)	(7,438)	–	(7,438)
Profit for the year	–	–	–	–	–	–	34,634	34,634	60	34,694
Other comprehensive (expense)/ income for the year:										
Deficit on revaluation of freehold land and building held for own use	–	–	–	–	–	(449)	–	(449)	–	(449)
Deferred tax arising from revaluation of freehold land and building	–	–	–	–	–	101	–	101	–	101
Exchange differences on translation of foreign operations	–	–	–	–	(8,610)	–	–	(8,610)	–	(8,610)
Total comprehensive (expense)/ income for the year	–	–	–	–	(8,610)	(348)	34,634	25,676	60	25,736
As at 31 December 2021	12,152	64,379	38,346	9,832	(8,718)	12,197	97,052	225,240	617	225,857

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Cash flows from operating activities			
Profit before income tax		**43,324**	16,698
Adjustments for:			
Depreciation of property, plant and equipment	9	**3,314**	3,210
Loss on disposal of property, plant and equipment, net	7	**18**	–
Gain on lease modification	7	**(30)**	–
Credit losses of trade receivables, net	9	**2,140**	3,068
Credit losses of contract assets, net	9	**4,313**	848
Write-down of inventories to net realisable value, net	9	**1,197**	498
Unrealised exchange gains, net		**(1,720)**	(1,425)
Interest expense	8	**697**	898
Interest income	6	**(267)**	(298)
Operating profit before working capital changes		**52,986**	23,497
Increase in inventories		**(13,397)**	(11,866)
Increase in trade and other receivables		**(29,416)**	(4,581)
Increase in contract assets		**(23,421)**	(7,618)
Increase in trade and other payables		**19,747**	14,790
Increase in contract liabilities		**8,943**	2,134
Cash generated from operations		**15,442**	16,356
Income taxes refund		**–**	3,511
Income taxes paid		**(6,306)**	(7,715)
Net cash generated from operating activities		**9,136**	12,152
Cash flows from investing activities			
Purchase of property, plant and equipment		**(45,431)**	(1,875)
Purchase of bank wealth management products		**(19,000)**	–
Proceeds from disposal of bank wealth management products		**19,000**	9,000
Change in pledged bank deposits		**319**	(1,332)
Interest received		**267**	350
Net cash (used in)/generated from investing activities		**(44,845)**	6,143

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Proceeds from the Global Offering		**–**	109,341
Payment for share issuance expenses		**–**	(32,899)
Change in amounts due from related parties		**(193)**	35
Change in amounts due to related parties		**40**	(1)
Proceeds from borrowings	31	**54,136**	15,820
Repayment of borrowings	31	**(13,480)**	(7,009)
Interest paid	8	**(697)**	(898)
Repayment of capital element of leases	31	**(2,124)**	(2,091)
Dividends paid	13	**(7,438)**	(15,176)
Net cash generated from financing activities		**30,244**	67,122
Net (decrease)/increase in cash and cash equivalents		**(5,465)**	85,417
Cash and cash equivalents at the beginning of the year		**118,683**	34,621
Effect of foreign exchange rate changes		**(2,959)**	(1,355)
Cash and cash equivalents at the end of the year		**110,259**	118,683
Analysis of cash and cash equivalents:			
Cash and bank balances and short-term bank deposits	21	**110,536**	118,683
Bank overdrafts	24	**(277)**	–
		110,259	118,683

1. GENERAL INFORMATION

Channel Micron Holdings Company Limited (the "Company", together with its subsidiaries, the "Group") was incorporated as an exempted company with limited liability in the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 October 2020.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16.

The ultimate controlling parties of the Group are Ng Yew Sum, Francis Chia Mong Tet, Chang Chin Sia, Ng Boon Hock, Chin Sze Kee, Law Eng Hock, Yap Chui Fan, Lim Kai Seng, Loh Wei Loon and Phang Chee Kin (collectively referred to as the "Controlling Shareholders").

In these consolidated financial statements, certain English name of the companies referred herein represent the management's best effort to translate the Chinese name of the companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 30 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis except for freehold land and building which are stated at revalued amounts. The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its major subsidiaries, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within the equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group's investments in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes directly attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Merger accounting for business combination involving business under common control

The consolidated financial statements incorporate the financial statements of the combined entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The consolidated financial statements are presented as if the entities or businesses had been consolidated at the end of each reporting period or when they first came under common control, whichever is shorter.

2.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this translation have been recognised in other comprehensive income and accumulated separately in the "translation reserve" in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment (other than freehold land and building held for administrative purpose and cost of right-of-use assets as described below) are initially recognised at acquisition cost or manufacturing cost, including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. They are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land and building held for administrative purpose are stated at fair value less accumulated depreciation and accumulated impairment losses, if any. Any revaluation surplus is recognised in other comprehensive income and credited to "revaluation reserve" in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

Right-of-use assets included the rights to use certain properties under leases are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are subsequently depreciated over the lease term using the straight-line method. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Depreciation is recognised so as to write-off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Building	2% or over the lease term whichever is shorter
Furniture, fittings and equipment	10%–25%
Leasehold improvement	15% or over the lease term whichever is shorter
Motor vehicles	20%
Plant and machinery	5%–20%
Right-of-use assets	Over the lease term

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profits upon the disposal of freehold land and building carried at revalued amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and initial measurement of financial assets (Continued)

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

— amortised cost;

— FVTPL; or

— fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, other income or other financial items, except for expected credit losses ("ECL") of trade and other receivables which is presented within "administrative and other operating expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Financial instruments *(Continued)*

Financial assets *(Continued)*

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "other income" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's pledged bank deposits, cash and cash equivalents, trade and other receivables and amounts due from related parties fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Financial instruments *(Continued)*

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables, amounts due to related parties and lease liabilities.

Financial liabilities (excluding lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (excluding lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges are included within "finance costs".

<u>Borrowings</u>

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

<u>Trade and other payables and amounts due to related parties</u>

Trade and other payables and amounts due to related parties are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

<u>Lease liabilities</u>

The accounting policy for lease liabilities is set out in note 2.11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises an ECL allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from Covid-19.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and retention receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of financial assets and contract assets *(Continued)*

Other financial assets measured at amortised cost

The Group measures the ECL allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of financial assets and contract assets *(Continued)*

Other financial assets measured at amortised cost *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 32.4.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.14) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.7 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.6).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.14). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.6).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.11 Leases

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

— the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

— the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

— the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease, the Group allocates the consideration in the contract to each lease on the basis of their relative stand-alone prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases *(Continued)*

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities when there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases *(Continued)*

Measurement and recognition of leases as a lessee *(Continued)*

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Share capital

Ordinary shares are classified as equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition

Revenue arises mainly from the sales of goods and the cleanroom projects by the Group to external customers.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/or as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition *(Continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

Sales of goods

Revenue from the sale of goods for a fixed fee is recognised when (or as) the Group transfers control of the assets to the customer. For stand-alone sales of goods that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

Cleanroom projects

Revenue from cleanroom projects is recognised over time during the course of construction by reference to the customer-certified progress report (which is reference to the amount of completed works certified by the customers) as the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment with a reasonable proportion of the expected profit margin for performance completed to date based on the terms of contracts for the cleanroom projects. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Contract costs that related to performance obligations are recognised when incurred. When the outcome of the cleanroom projects cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition *(Continued)*

Cleanroom projects *(Continued)*

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The Group generally provides for warranties for repairs to any defects and does not provide extended warranties in its sales of goods and cleanroom projects with customers. As such, most existing warranties are considered as assurance-type warranties under HKFRS 15, which are accounted for under HKAS 37. Retention receivables, prior to expiration of retention period, are classified as "contract assets". The relevant amount of contract asset is reclassified to "trade receivables" when the retention period expires.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2.15 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "other income" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

— Property, plant and equipment (including right-of-use assets); and

— The Company's investment in a subsidiary.

They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme.

As required by law, the Group's subsidiaries in Malaysia make contributions to the national pension schemes, the Employees Provident Fund ("EPF"). Contributions are made based on certain percentage of the employee's basic salaries.

For the Company's subsidiary in the Philippines, it is not required to pay monthly contribution but its employees who served at least five years are entitled to retirement pay, based on a certain percentage of the employee's salaries, upon retirement.

Contributions are recognised as an expense in profit or loss as employees rendered services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.18 Borrowing costs

Borrowing costs are expensed when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Accounting for income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (the "CODM") (being the executive directors of the Company) for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the CODM are determined by the Group's major product and service lines.

The Group has identified the following reportable segments:

(a) Manufacturing and sale of cleanroom wall and ceiling systems products ("Cleanroom wall and ceiling systems");

(b) Manufacturing and sale of cleanroom equipment ("Cleanroom equipment"); and

(c) Trading of cleanroom products and provision of cleanroom preventive maintenance services ("Others").

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Research and development activities

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

3. ADOPTION OF NEW AND AMENDED HKFRSS

3.1 Amended HKFRSs that are effective for annual periods beginning or after 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

3. ADOPTION OF NEW AND AMENDED HKFRSS *(Continued)*

3.1 Amended HKFRSs that are effective for annual periods beginning or after 1 January 2021 *(Continued)*

In addition, on 1 January 2021, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" which is mandatorily effective for the Group for financial year beginning on or after 1 April 2021.

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet determined
4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Measurement of value of construction works

Management measures the value of completed construction works based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction works transferred to the customer to date relative to the remaining construction works promised to be completed under the cleanroom projects. The scope of work on certain construction works may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the cleanroom projects and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. Management's estimate of revenue and the completion status of construction works requires significant judgment and has a significant impact on the amount and timing of revenue recognised. The construction works performed by the Group would be certified by the customers periodically according to the stage of completion of those cleanroom projects. The Group regularly reviews and revises the estimation of contract revenue prepared for each cleanroom project as the contract progresses based on the internal construction progress reports and the certifications issued by the customers.

Estimation of fair value of freehold land and building

As at 31 December 2021, the aggregate carrying amount of the Group's freehold land and building carried at revalued amount was RMB65,482,000 (2020: RMB24,587,000), based on the valuations performed by an independent qualified professional valuer. The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the valuer determines the fair values of freehold land and building with different valuation techniques which involve significant unobservable inputs, details of which are as set out in note 15. In relying on the valuations, management has exercised its judgment and has reviewed the independent property valuations and is satisfied that the valuation methods are reflective of the current market conditions and has compared the valuations with its own assumptions.

Favourable or unfavourable changes to these assumptions used in the valuations would result in changes in the fair values of the Group's freehold land and building and corresponding adjustments to the amounts of surplus or deficits on revaluation recognised in other comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Estimation uncertainty *(Continued)*

Net realisable value of inventories

Net realisable value of inventories (note 17) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. If the actual net realisable values of inventories are more or less than expected as a result of change in market condition, material reversal of or provision for impairment loss may result.

As at 31 December 2021, the carrying amount of inventories amounted to RMB32,012,000, net of impairment provisions of RMB1,537,000 (2020: RMB20,722,000, net of impairment provisions of RMB1,622,000).

Estimation of ECL of financial assets and contract assets

The Group makes allowance on items subject to ECL (including trade and other receivables, contract assets and other financial assets measured at amortised costs) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.7.

As at 31 December 2021, the aggregate carrying amount of trade and other receivables, contract assets and other financial assets measured at amortised costs amounted to RMB266,526,000, net of ECL allowance of RMB15,251,000 (2020: RMB235,769,000, net of ECL allowance of RMB9,077,000).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables, contract assets and other financial assets measured at amortised costs and credit losses in the period in which such estimate has been changed.

4.2 Critical accounting judgments

The following is the critical judgment, apart from those involving estimations (see above), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

The Group's principal activities are disclosed in note 16 to the consolidated financial statements. Revenue represents the fair value of consideration received and receivable from the sales of goods and the cleanroom projects by the Group to external customers.

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods or services over time and at a point in time were analysed as follows:

	2021 **RMB'000**	2020 RMB'000
Timing of revenue recognised over time		
— Cleanroom projects	**151,456**	134,855
Timing of revenue recognised at a point in time		
— Sales of goods	**116,093**	68,774
	267,549	203,629

5.2 Segment information

Revenue and expense are allocated to the reportable segments with reference to revenue generated by those segments and the expense incurred by those segments. The measure used for reporting segment profit is gross profit. The Group's other income and expense items, such as administrative and other operating expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, depreciation and amortisation, interest income and interest expense is presented.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

Information regarding the Group's reportable segments as provided to the CODM for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2021 is as follows:

	Cleanroom wall and ceiling systems RMB'000	**Cleanroom equipment** RMB'000	**Others** RMB'000	**Total** RMB'000
Year ended 31 December 2021				
Reportable segment revenue	**235,163**	**15,608**	**16,778**	**267,549**
Reportable segment cost of sales	**(149,807)**	**(9,633)**	**(12,802)**	**(172,242)**
Reportable segment gross profit	**85,356**	**5,975**	**3,976**	**95,307**
Year ended 31 December 2020				
Reportable segment revenue	190,505	6,264	6,860	203,629
Reportable segment cost of sales	(123,347)	(5,111)	(3,006)	(131,464)
Reportable segment gross profit	67,158	1,153	3,854	72,165

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

	2021 **RMB'000**	2020 RMB'000
Revenue from external customers		
— The PRC (excluding Hong Kong)	**143,671**	123,968
— Malaysia	**50,012**	29,272
— Philippines	**28,631**	10,168
— Singapore	**38,291**	29,885
— Others	**6,944**	10,336
	267,549	203,629

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

Geographical information *(Continued)*

	2021 RMB'000	2020 RMB'000
Specified non-current assets		
— The PRC (excluding Hong Kong)	**3,509**	3,213
— Malaysia	**69,847**	29,277
— Others	**99**	77
	73,455	32,567

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue during the year is as follows:

	2021 RMB'000	2020 RMB'000
Customer 1	**39,433**	34,793
Customer 2	**27,390**	N/A*
Customer 3	**N/A***	21,746

* The corresponding revenue did not individually contribute over 10% of the Group's revenue.

Note: All the revenue contributed from the above customers are derived from cleanroom wall and ceiling systems segment.

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Bank interest income	267	298
Government grants (note)	1,758	1,259
Covid-19-related rent concessions received	–	237
Sundry income	552	746
	2,577	2,540

Note: Subsidies have been received from the provincial government in the PRC for subsiding the Group's operations. There were no unfulfilled conditions or contingencies relating to these subsidies.

7. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Loss on disposal of property, plant and equipment, net	(18)	–
Gain on lease modification	30	–
Exchange gains, net	1,290	139
	1,302	139

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest charges on:		
— bank loans	606	748
— lease liabilities	91	150
	697	898

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000
Auditors' remuneration	**1,381**	890
Cost of inventories recognised as an expense, including	**117,942**	78,024
— write-down of inventories to net realisable value, net	**1,197**	498
Depreciation of property, plant and equipment on:		
— owned assets	**1,173**	1,106
— right-of-use assets	**2,141**	2,104
Credit losses of trade receivables, net	**2,140**	3,068
Credit losses of contract assets, net	**4,313**	848
Covid-19-related rent concessions received	**–**	(237)
Research and development expenses (including staff costs)	**8,256**	6,275
Short-term leases charges	**359**	365
Exchange gains, net	**(1,290)**	(139)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 RMB'000	2020 RMB'000
Salaries, allowances and other benefits	**28,060**	22,988
Retirement scheme contributions (note)	**2,715**	1,341
	30,775	24,329

Note: Due to the impact of Covid-19, a number of policies including the relief of social insurance has been promulgated by the government in the PRC since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement scheme during the year ended 31 December 2020.

As at 31 December 2021 and 2020, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years.

11. INCOME TAX EXPENSE

Cayman Islands Income Tax

Pursuant to the relevant laws and regulations of the Cayman Islands, the Company is not subject to Cayman Islands Income Tax.

Malaysian Income Tax

Malaysian Income Tax in respect of the Group's operations in Malaysia has been provided at the rate of 24% (2020: 24%) on the estimated assessable profit for the year ended 31 December 2021 arising from Malaysia.

Philippines Income Tax

Philippines Income Tax in respect of the Group's operations in Philippines has been provided at the rate of 25% (2020: 30%) on the estimated assessable profit. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines which are subject to the regular corporate income tax are required to pay 1% (2020: 2%) minimum corporate income tax on gross income or tax equivalent to 25% (2020: 30%) regular corporate income tax on taxable income, whichever is higher. Gross income is equivalent to revenue less direct costs. Any excess of the minimum corporate income tax over regular corporate income tax can be carried forward and credited against regular corporate income tax for three succeeding taxable years.

PRC Enterprise Income Tax (the "PRC EIT")

The PRC EIT in respect of the Group's operations in the PRC has been provided at the rate of 25% (2020: 25%) on the estimated assessable profit for the year ended 31 December 2021 arising from the PRC.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification. Accordingly, they entitled to a preferential income tax rate of 15% (2020: 15%) on its estimated assessable profit for the year ended 31 December 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, one of the Group's PRC subsidiaries entitled to a tax preferential income tax rate of 10% (2020: 10%) on its estimated assessable profit for the year ended 31 December 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, one of the Group's PRC subsidiaries engaging in research and development activities is entitled to claim 200% (2020: 175%) for the year ended 31 December 2021 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the year ended 31 December 2021 ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's PRC subsidiary in ascertaining its assessable profit for the years ended 31 December 2021 and 2020.

11. INCOME TAX EXPENSE *(Continued)*

	2021 RMB'000	2020 RMB'000
Current tax		
The PRC EIT		
— Current year	**2,935**	1,321
— Under-provision in respect of prior years	**40**	16
Malaysian Income Tax		
— Current year	**9,157**	4,907
— (Over)/Under-provision in respect of prior years	**(680)**	122
Philippines Income Tax		
— Current year	**375**	409
— Under-provision in respect of prior years	**–**	200
	11,827	6,975
Deferred tax		
— Current year (note 25)	**(3,076)**	(934)
— (Over)/Under-provision in respect of prior years (note 25)	**(121)**	57
	(3,197)	(877)
Income tax expense	**8,630**	6,098

11. INCOME TAX EXPENSE *(Continued)*

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2021 **RMB'000**	2020 RMB'000
Profit before income tax	**43,324**	16,698
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**7,470**	3,084
Tax effects on:		
— non-taxable income	**(396)**	(218)
— non-deductible expenses	**3,514**	3,583
— Super Deduction of research and development expenses	**(1,197)**	(746)
— (over)/under-provision in respect of prior years	**(761)**	395
Income tax expense	**8,630**	6,098

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

12.1 Directors' emoluments

	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021					
Executive directors					
Ng Yew Sum	**150**	**869**	**1,390**	**206**	**2,615**
Law Eng Hock	**100**	**1,036**	**467**	**5**	**1,608**
Lim Kai Seng	**100**	**413**	**622**	**161**	**1,296**
Chin Sze Kee	**100**	**469**	**420**	**102**	**1,091**
Yap Chui Fan	**100**	**471**	**629**	**135**	**1,335**
Non-executive directors					
Ng Seng Leong	**147**	**–**	**–**	**–**	**147**
Wu Chun Sing	**147**	**–**	**–**	**–**	**147**
Martin Giles Manen	**183**	**–**	**–**	**–**	**183**
	1,027	**3,258**	**3,528**	**609**	**8,422**
Year ended 31 December 2020					
Executive directors					
Ng Yew Sum	50	918	–	85	1,053
Law Eng Hock	33	863	450	5	1,351
Lim Kai Seng	33	435	325	91	884
Chin Sze Kee	33	494	–	54	581
Yap Chui Fan	33	492	330	75	930
Non-executive directors					
Ng Seng Leong	59	–	–	–	59
Wu Chun Sing	59	–	–	–	59
Martin Giles Manen	73	–	–	–	73
	373	3,202	1,105	310	4,990

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

12.1 Directors' emoluments *(Continued)*

The independent non-executive directors, Ng Seng Leong, Wu Chun Sing and Martin Giles Manen were appointed as the directors of the Company on 3 September 2020.

The above emoluments represent the emoluments received from the Group by the directors of the Company in their capacity as employees or directors of the Company's subsidiaries or directors of the Company during the years ended 31 December 2021 and 2020. The discretionary bonuses are based on their individual performance as recognition of and reward for the contributions from the directors in both years.

12.2 Five highest paid individuals

The five highest paid individuals of the Group during the year ended 31 December 2021 include five (2020: five) directors whose emoluments are disclosed in note 12.1.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company have waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

13. DIVIDENDS

	2021 **RMB'000**	2020 RMB'000
Dividends to equity holders	**7,438**	15,000
Dividends to non-controlling interests	**–**	176
	7,438	15,176

Pursuant to a written resolution passed by the directors of the Company on 9 July 2020, a final dividend of RMB1.5 per share in respect of the year ended 31 December 2019 has been declared and paid.

Pursuant to a written resolution passed by the directors of the Company on 30 March 2021, a final dividend of HK0.36 cents per share in respect of the year ended 31 December 2020 has been declared and paid.

Pursuant to a written resolution passed by the directors of the Company on 30 August 2021, an interim dividend of HK0.28 cents per share in respect of the six months ended 30 June 2021 has been declared and paid.

The final dividend of HK0.67 cents per share has been proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2021.

14. EARNINGS PER SHARE

	2021 RMB'000	2020 RMB'000
Earnings		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**34,634**	10,523
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	**1,400,000**	1,125,546

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2020 includes (i) 10,000,000 ordinary shares in issue throughout the year; (ii) 1,040,000,000 new ordinary shares issued pursuant to the Capitalisation Issue (note 26c), as if all these shares had been in issue throughout the year ended 31 December 2020; and (iii) 75,546,000 shares, representing the weighted average of 350,000,000 new ordinary shares issued pursuant to the Global Offering (note 26b).

Diluted earnings per share for both years are the same as basic earnings per share as there were no potential ordinary shares in issue during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Freehold land RMB'000	Building RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Total RMB'000
As at 1 January 2020								
Cost	7,383	–	–	3,675	1,608	2,142	7,483	22,291
Valuation	–	17,530	9,703	–	–	–	–	27,233
Accumulated depreciation	(4,014)	–	–	(3,139)	(1,428)	(1,291)	(5,096)	(14,968)
Net carrying amount	3,369	17,530	9,703	536	180	851	2,387	34,556
Year ended 31 December 2020								
Opening net carrying amount	3,369	17,530	9,703	536	180	851	2,387	34,556
Additions	1,991	–	–	179	31	–	1,665	3,866
Revaluation (deficit)/surplus	–	(1,314)	32	–	–	–	–	(1,282)
Depreciation	(2,104)	–	(196)	(157)	(52)	(350)	(351)	(3,210)
Exchange realignment	(26)	(749)	(419)	(15)	(8)	(44)	(102)	(1,363)
Closing net carrying amount	3,230	15,467	9,120	543	151	457	3,599	32,567
As at 31 December 2020 and 1 January 2021								
Cost	9,258	–	–	3,705	1,570	2,073	8,871	25,477
Valuation	–	15,467	9,120	–	–	–	–	24,587
Accumulated depreciation	(6,028)	–	–	(3,162)	(1,419)	(1,616)	(5,272)	(17,497)
Net carrying amount	3,230	15,467	9,120	543	151	457	3,599	32,567
Year ended 31 December 2021								
Opening net carrying amount	**3,230**	**15,467**	**9,120**	**543**	**151**	**457**	**3,599**	**32,567**
Additions	**116**	**43,960**	**–**	**239**	**14**	**69**	**1,149**	**45,547**
Disposals	**–**	**–**	**–**	**(6)**	**–**	**–**	**(12)**	**(18)**
Termination of lease	**(30)**	**–**	**–**	**–**	**–**	**–**	**–**	**(30)**
Modification of lease	**1,926**	**–**	**–**	**–**	**–**	**–**	**–**	**1,926**
Revaluation (deficit)/surplus	**–**	**(467)**	**18**	**–**	**–**	**–**	**–**	**(449)**
Depreciation	**(2,141)**	**–**	**(174)**	**(169)**	**(52)**	**(329)**	**(449)**	**(3,314)**
Exchange realignment	**(77)**	**(1,869)**	**(573)**	**(26)**	**(9)**	**(18)**	**(202)**	**(2,774)**
Closing net carrying amount	**3,024**	**57,091**	**8,391**	**581**	**104**	**179**	**4,085**	**73,455**
As at 31 December 2021								
Cost	**11,117**	**–**	**–**	**3,685**	**1,498**	**2,055**	**9,480**	**27,835**
Valuation	**–**	**57,091**	**8,391**	**–**	**–**	**–**	**–**	**65,482**
Accumulated depreciation	**(8,093)**	**–**	**–**	**(3,104)**	**(1,394)**	**(1,876)**	**(5,395)**	**(19,862)**
Closing net carrying amount	**3,024**	**57,091**	**8,391**	**581**	**104**	**179**	**4,085**	**73,455**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Additional information on the right-of-use assets by class of assets is as follow:

	Plant RMB'000	Office premises and staff quarters RMB'000	Motor vehicles RMB'000	Total RMB'000
Net carrying amount as at 1 January 2020	2,338	351	680	3,369
Additions for the year	1,242	749	–	1,991
Depreciation for the year	(1,556)	(423)	(125)	(2,104)
Exchange realignment	–	–	(26)	(26)
Net carrying amount as at 31 December 2020 and 1 January 2021	**2,024**	**677**	**529**	**3,230**
Additions for the year	**–**	**116**	**–**	**116**
Termination of lease	**–**	**(30)**	**–**	**(30)**
Modification of lease	**1,731**	**195**	**–**	**1,926**
Depreciation for the year	**(1,613)**	**(434)**	**(94)**	**(2,141)**
Exchange realignment	**(59)**	**(1)**	**(17)**	**(77)**
Net carrying amount as at 31 December 2021	**2,083**	**523**	**418**	**3,024**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised under property, plant and equipment:

	Number of right-of-use assets leased	Range of remaining term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
As at 31 December 2021					
Plant	**2**	**0* to 3 years**	**2**	**–**	**2**
Office premises and staff quarters	**5**	**0* to 2 years**	**–**	**–**	**4**
Motor vehicles	**1**	**3 years**	**–**	**1**	**1**
As at 31 December 2020					
Plant	2	1 to 2 years	2	–	2
Office premises and staff quarters	3	0* to 3 years	–	–	2
Motor vehicles	2	0* to 4 years	–	2	2

* The figure represented remaining term less than 1 year.

Had the freehold land and building been carried at cost less accumulated depreciation, the carrying amount would be as follows:

	2021 RMB'000	2020 RMB'000
Cost	**52,146**	9,699
Accumulated depreciation	**(2,484)**	(2,545)
Net carrying amount	**49,662**	7,154

Bank loans are secured by the legal charges over the freehold land and building with the aggregate carrying amount of RMB65,482,000 (2020: RMB24,587,000) (note 24).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement of properties

The following table shows the Group's freehold land and building measured at fair value at the end of each reporting period on a recurring basis, categorised into three levels fair value hierarchy. The levels are based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset or liability.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Recurring fair value measurement				
Freehold land outside Hong Kong	**–**	**57,091**	**–**	**57,091**
Building outside Hong Kong	**–**	**–**	**8,391**	**8,391**
	–	**57,091**	**8,391**	**65,482**
As at 31 December 2020				
Recurring fair value measurement				
Freehold land outside Hong Kong	–	15,467	–	15,467
Building outside Hong Kong	–	–	9,120	9,120
	–	15,467	9,120	24,587

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2021 (2020: Nil).

The Group's freehold land and building were revalued as at 31 December 2021 and 2020 by an independent qualified professional valuer, Rahim & Co International Sdn. Bhd. The Group's finance department reviews the valuations performed by the independent qualified professional valuer for the financial reporting purposes.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement of properties *(Continued)*

Set out below are information about the fair values of freehold land and building categorised under Level 2 and Level 3 fair value hierarchy:

	Valuation technique	Unobservable input	Range 2021	2020
Level 2				
Freehold land outside Hong Kong (note a)	Market comparison approach	Price per square feet	**Malaysian Ringgit ("RM") 155 to RM197 per square feet**	RM164 to RM214 per square feet
Level 3				
Building outside Hong Kong (note b)	Cost approach	Replacement costs per square feet	**RM90 to RM185 per square feet**	RM90 to RM185 per square feet
		Depreciation rates	**22% to 30%**	20% to 29%

Notes:

(a) The fair value of the freehold land outside Hong Kong was carried out using a market comparison approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the properties, including plot size, location, encumbrances and current use.

The unobservable input is the price per square feet of the freehold land. The price per square feet depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgment, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. Generally, an increase in price per square feet of the freehold land would result in a higher fair value measurement.

(b) The fair value of the building outside Hong Kong was estimated using a cost approach which considers the cost to reproduce or replace the property appraised in new condition in accordance with current construction costs for similar properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes.

The significant unobservable inputs are the replacement costs per square feet and the depreciation rates. The replacement costs per square feet and the extent of the depreciation rates depends on the market researches and physical condition of the building. Although these inputs are subjective judgments, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. The estimated fair value increases if the estimated replacement costs per square feet increases, or if depreciation rates declines.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement of properties *(Continued)*

The reconciliation of the carrying amounts of the Group's freehold land and building classified within Level 2 and Level 3 of the fair value hierarchy is as follows:

	2021 **RMB'000**	2020 RMB'000
Level 2		
Freehold land outside Hong Kong		
Fair value at the beginning of the year	**15,467**	17,530
Addition	**43,960**	–
Deficit on revaluation recognised in other comprehensive income	**(467)**	(1,314)
Exchange realignment	**(1,869)**	(749)
Net carrying amount	**57,091**	15,467
Level 3		
Building outside Hong Kong		
Fair value at the beginning of the year	**9,120**	9,703
Depreciation for the year	**(174)**	(196)
Surplus on revaluation recognised in other comprehensive income	**18**	32
Exchange realignment	**(573)**	(419)
Net carrying amount	**8,391**	9,120

(Deficit)/Surplus on revaluation on freehold land and building is recognised in other comprehensive income and included under "revaluation reserve" in equity.

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows:

Company name	Place of incorporation/ establishment/ operation	Registered/ Issued and fully paid up capital	Equity interest attributable to the Group 2021	2020	Principal activity
Channel Micron International Limited	British Virgin Islands	4 ordinary shares	**100%**	100%	Investment holding
Channel Systems International Limited	Hong Kong	2 ordinary shares	**100%**	100%	Investment holding
Channel Systems Asia Sdn. Bhd.	Malaysia	RM5,000,000	**100%**	100%	Design, manufacture and marketing of cleanroom walls and component parts for cleanroom facilities and high technology plants
CSA Technic Sdn. Bhd.	Malaysia	RM1,200,000	**100%**	100%	Trading of cleanroom walls and ceiling systems and component parts for cleanroom facilities and high technology plants
Channel Systems (Shanghai) Co. Ltd. 捷能系統建材(上海)有限公司 (note)	The PRC	United States Dollar ("USD") 3,850,000	**100%**	100%	Production and sale of building materials for cleanroom walls and ceiling system doors, windows and lighting equipment, and provide related after-sales service
Channel CR Material (Shanghai) Co. Ltd. 捷能新型建材(上海)有限公司 (note)	The PRC	RMB1,000,000	**94%**	94%	Installation and wholesale of building materials for cleanroom walls and ceiling systems doors, windows and lighting equipment, and provide related after-sales service
Micron (M) Sdn. Bhd.	Malaysia	RM568,000	**100%**	100%	Cleanroom design and engineering works, trading and installation of cleanroom equipment, component and parts and air filtration system

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ establishment/ operation	Registered/ Issued and fully paid up capital	Equity interest attributable to the Group 2021	2020	Principal activity
Micron Technology (M) Sdn. Bhd.	Malaysia	RM1,650,000	**100%**	100%	Design and manufacture of fan filters and other equipment for cleanroom facilities and high-technology plants
Max Micron Precision Sdn. Bhd.	Malaysia	RM300,000	**100%**	100%	Dormant
Micron Cleanroom (Philippines), Inc.	Philippines	Philippine Peso ("PHP") 9,490,000	**100%**	100%	Manufacture and trading of cleanroom equipment and design and installation of cleanrooms for commercial and industrial use

Note: Channel Systems (Shanghai) Co. Ltd. and Channel CR Material (Shanghai) Co. Ltd. were incorporated as a company with limited liability in the PRC.

17. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**26,191**	15,454
Finished goods	**5,821**	5,268
	32,012	20,722

As at 31 December 2021, the inventories with carrying amount of RMB2,162,000 (2020: RMB1,948,000) were carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**81,609**	59,853
Less: ECL allowance	**(8,154)**	(6,287)
	73,455	53,566
Bill receivables	**4,102**	4,500
	77,557	58,066
Other receivables		
— Prepayments	**6,960**	5,649
— Other tax receivables	**7,769**	4,643
— Other receivables	**1,510**	324
— Rental and other deposits	**888**	1,377
	17,127	11,993
Less: ECL allowance	**(32)**	(32)
	17,095	11,961
	94,652	70,027

All bill receivables are due within one year.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

The credit period is generally for a period of 0 to 90 days (2020: 0 to 90 days). Based on the invoice dates, the ageing analysis of trade receivables, net of ECL allowance, was as follows:

	2021 **RMB'000**	2020 RMB'000
0–90 days	**53,588**	45,977
91–180 days	**11,735**	3,795
181–365 days	**4,282**	2,018
Over 365 days	**3,850**	1,776
	73,455	53,566

The movement in the ECL allowance of trade receivables is as follows:

	2021 **RMB'000**	2020 RMB'000
At the beginning of the year	**6,287**	3,281
Net ECL allowance recognised during the year	**2,140**	3,068
Exchange realignment	**(273)**	(62)
At the end of the year	**8,154**	6,287

The movement in the ECL allowance of other receivables is as follows:

	2021 **RMB'000**	2020 RMB'000
At the beginning and end of the year	**32**	32

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

19.1 Contract assets

	2021 RMB'000	2020 RMB'000
Contract assets arising from		
— Cleanroom projects (notes a, c)	**76,838**	55,242
— Sales of goods (notes b, c)	**4,480**	2,908
Less: ECL allowance	**(7,065)**	(2,758)
	74,253	55,392

Notes:

(a) The Group's cleanroom projects include payment schedules which require progress payments over the construction period once certain specified milestones are reached. The Group requires certain customers to pay deposits, normally equivalent to 30% (2020: 30%) of total contract sum as part of its credit risk management policies. The Group also normally agrees to a one to two years retention period for 3% to 10% (2020: 3% to 10%) of the contract value. This amount is included in "contract assets" as the Group's entitlement to this final payment is conditional on the Group's satisfactory work until the end of retention period.

(b) The Group provides certain of its trading customers with a one-year retention period for normally 5% (2020: 5%) of the contract value. This amount is included in "contract assets" as the Group's entitlement to this final payment is conditional on the Group's satisfactory work until the end of retention period.

(c) The Group's contract assets represent the right to the consideration for the completion of construction works or upon delivery of sales of goods but are not yet billed to customers.

(d) As at 31 December 2021, the carrying amount of contract assets that is expected to be recovered after more than one year is RMB12,732,000 (2020: RMB14,554,000), substantial of which relates to the conditional retention receivables from customers.

(e) The contract assets are transferred to receivables when the rights become unconditional. As at 31 December 2021, RMB51,748,000 (2020: RMB35,722,000) of the contract assets at the beginning of the year were transferred to trade receivables.

The movement in the ECL allowance of contract assets is as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**2,758**	1,869
Net ECL allowance recognised during the year	**4,313**	848
Exchange realignment	**(6)**	41
At the end of the year	**7,065**	2,758

19. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

19.2 Contract liabilities

	2021 **RMB'000**	2020 RMB'000
Contract liabilities arising from		
— Cleanroom projects from billings in advance of performance	**5,197**	4,782
— Receiving deposits of manufacturing orders	**9,726**	1,592
	14,923	6,374

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the inception of a contract until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 10% to 35% (2020: 10% to 35%) deposit on acceptance of manufacturing orders during the year ended 31 December 2021.

As at 31 December 2021, none of the contract liabilities that is expected to be settled after more than one year (2020: Nil).

The increase of contract liabilities as at 31 December 2021 is mainly due to the increase in the deposits received as a result of more manufacturing orders received from customers during the reporting period.

Contract liabilities outstanding at the beginning of the year amounting to RMB2,200,000 (2020: RMB1,929,000) have been recognised as revenue during the year ended 31 December 2021.

Unsatisfied performance obligations

The transaction price of cleanrooms projects allocated to the remaining unsatisfied or partially satisfied performance obligations at the reporting period are as follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**157,491**	49,137
More than one year	**–**	4,202
	157,491	53,339

Sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

20. AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

(a) Amounts due from related parties

	2021 RMB'000	2020 RMB'000
Amounts due from related companies		
— Sum Technic Sdn. Bhd. (note a)	**189**	–
— Sum System Solution Sdn. Bhd. (note b)	**1**	–
	190	–
Amount due from a shareholder		
— Luah Kok Lam	**–**	5
	190	5

(b) Amounts due to related parties

Amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

	2021 RMB'000	2020 RMB'000
Amounts due to the Controlling Shareholders		
— Lim Kai Seng	**13**	2
— Yap Chui Fan	**5**	1
— Chin Sze Kee	**46**	–
	64	3
Amount due to a related company		
— Sum Technic	**–**	25
	64	28

Notes:

(a) Sum Technic Sdn. Bhd. ("Sum Technic") is a related company controlled by Ng Yew Sum, Chin Sze Kee, Law Eng Hock and Yap Chui Fan, the Controlling Shareholders of the Company.

(b) Sum System Solution Sdn. Bhd. is a related company controlled by Ng Yew Sum, Chin Sze Kee, Francis Chia Mong Tet, Yap Chui Fan, Law Eng Hock and Lim Kai Seng, the Controlling Shareholders of the Company.

21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Pledged bank deposits (note a)	**1,624**	1,954
Cash and bank balances (note b)	**86,085**	80,100
Short-term bank deposits (note c)	**24,451**	38,583
Cash and cash equivalents	**110,536**	118,683

Notes:

(a) The pledged bank deposits earn interest at floating rates based on daily bank deposit rates and have a maturity of 1 month to 22 months (2020: 1 month to 10 months). They are for the purpose of the performance, retention monies and advance payment guarantee in respect of the cleanroom projects.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(c) As at 31 December 2021, the short-term bank deposits earn range 0.02% to 0.06% (2020: 0.21% to 1.7%) interest per annum.

22. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**63,971**	50,282
Bill payables	**2,486**	2,000
	66,457	52,282
Other payables		
— Accrued expenses	**7,779**	4,544
— Other tax payables	**581**	437
— Other payables	**4,752**	3,229
	13,112	8,210
	79,569	60,492

22. TRADE AND OTHER PAYABLES *(Continued)*

The Group was granted by its supplier credit periods ranging from 30 to 90 days (2020: 30 to 90 days). Based on the invoice dates, the ageing analysis of trade payables were as follows:

	2021 **RMB'000**	2020 RMB'000
0–90 days	**55,729**	41,177
91–180 days	**594**	5,586
181–365 days	**4,096**	869
Over 365 days	**3,552**	2,650
	63,971	50,282

23. LEASE LIABILITIES

	2021 **RMB'000**	2020 RMB'000
Total minimum lease payments:		
— Due within one year	**2,059**	1,982
— Due after one year but within five years	**785**	1,100
	2,844	3,082
Future finance charges on lease liabilities	**(94)**	(109)
Present value of lease liabilities	**2,750**	2,973
Present value of minimum lease payments:		
— Due within one year	**1,985**	1,905
— Due after one year but within five years	**765**	1,068
	2,750	2,973
Less: portion due within one year included under current liabilities	**(1,985)**	(1,905)
Portion due after one year included under non-current liabilities	**765**	1,068

23. LEASE LIABILITIES *(Continued)*

The Group leases a number of plant, office premises and staff quarters and motor vehicles to operate its business. These lease liabilities are measured at present value of the lease payments that are not yet paid.

As at 31 December 2021, lease liabilities in relation to certain motor vehicles with outstanding balances of RMBNil (2020: RMB32,000) and RMB206,000 (2020: RMB302,000) were guaranteed by the personal guarantees given by Ng Yew Sum and Lim Kai Seng, respectively. Ng Yew Sum and Lim Kai Seng are the Controlling Shareholders of the Company.

During the year ended 31 December 2021, the total cash outflows for the leases are RMB2,574,000 (2020: RMB2,606,000).

24. BORROWINGS

	2021 **RMB'000**	2020 RMB'000
Bank overdrafts	**277**	–
Bank loans, wholly repayable within one year or on demand		
— Secured	**46,970**	13,852
— Unsecured	**15,000**	9,000
	62,247	22,852

As at 31 December 2021, the bank loans bear effective interest rates of range from 2.3% to 4.6% (2020: 3.8% to 4.7%) per annum.

As at 31 December 2021, the Group's bank loans of RMB46,970,000 (2020: RMB13,852,000) were secured by the legal charges over the Group's freehold land and building (note 15).

As at 31 December 2020, the Group's bank loan of RMB13,852,000 was guaranteed by the personal guarantees given by Ng Yew Sum, Chin Sze Kee and Law Eng Hock, the Controlling Shareholders of the Company (the "Personal Guarantees"). During the year ended 31 December 2021, the Personal Guarantees had been released.

25. DEFERRED TAX

The movement in deferred tax assets/(liabilities) during the year is as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**824**	(201)
Reversed in profit or loss (note 11)	**3,076**	934
Reversed in other comprehensive income	**101**	110
Over/(Under)-provision in respect of prior years (note 11)	**121**	(57)
Exchange realignment	**(30)**	38
At the end of the year	**4,092**	824

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year is as follows:

	Accelerated tax depreciation RMB'000	Revaluation of property held for own use RMB'000	Billings in advance from customer RMB'000	Accrued expenses RMB'000	Provisions RMB'000	Tax losses RMB'000	Total RMB'000
As at 1 January 2020	(134)	(3,138)	1,035	747	1,289	–	(201)
(Recognised)/Reversed in profit or loss (note 11)	(26)	–	250	(269)	821	158	934
Reversed in other comprehensive income	–	110	–	–	–	–	110
Under-provision in respect of prior years (note 11)	(57)	–	–	–	–	–	(57)
Exchange realignment	6	135	(50)	(31)	(21)	(1)	38
As at 31 December 2020 and 1 January 2021	**(211)**	**(2,893)**	**1,235**	**447**	**2,089**	**157**	**824**
(Recognised)/Reversed in profit or loss (note 11)	**(122)**	**–**	**1,743**	**525**	**1,080**	**(150)**	**3,076**
Reversed in other comprehensive income	**–**	**101**	**–**	**–**	**–**	**–**	**101**
Over-provision in respect of prior years (note 11)	**–**	**–**	**–**	**121**	**–**	**–**	**121**
Exchange realignment	**16**	**183**	**(114)**	**(43)**	**(65)**	**(7)**	**(30)**
As at 31 December 2021	**(317)**	**(2,609)**	**2,864**	**1,050**	**3,104**	**–**	**4,092**

25. DEFERRED TAX *(Continued)*

The amounts recognised in the consolidated statement of financial position are as follows:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**6,481**	3,436
Deferred tax liabilities	**(2,389)**	(2,612)
	4,092	824

As at 31 December 2021, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to RMB35,899,000 (2020: RMB23,082,000). Deferred tax liabilities have not been recognised amounting to RMB3,590,000 (2020: RMB2,308,000) in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries.

26. SHARE CAPITAL

	Number of shares	RMB'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2020	38,000,000	335
Increase in authorised share capital (note a)	9,962,000,000	86,438
As at 31 December 2020, 1 January 2021 and 31 December 2021	**10,000,000,000**	**86,773**
Issued and fully paid:		
As at 1 January 2020	10,000,000	89
Issuance of share capital pursuant to the Global Offering (note b)	350,000,000	3,038
Issuance of share capital pursuant to the Capitalisation Issue (note c)	1,040,000,000	9,025
As at 31 December 2020, 1 January 2021 and 31 December 2021	**1,400,000,000**	**12,152**

26. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to the written resolution of the shareholders passed on 3 September 2020, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by creation of an additional 9,962,000,000 shares of HK$0.01 each.

(b) On 14 October 2020, 350,000,000 shares of HK$0.01 each of the Company were allotted and issued at a price of HK$0.36 per share by way of public offering (the "Global Offering").

The proceeds of HK$3,500,000 (equivalent to approximately RMB3,038,000) represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$122,500,000 (equivalent to approximately RMB106,303,000), before issuing expenses, were credited to the Company's share premium account. The share allotted and issued rank pari passu in all respects with the existing issued shares.

(c) Pursuant to the written resolution of the shareholders passed on 3 September 2020, subject to the share premium account of the Company being credited as a result of the Global Offering, the directors were authorised to allot and issue a total of 1,040,000,000 shares credited as fully paid at par to the shareholders whose names appear on the register of members of the Company at close of business on 7 October 2020 in proportion to their respective shareholdings by way of capitalisation of the sum of HK$10,400,000 (equivalent to approximately RMB9,025,000) standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 15 October 2020. The share allotted and issued rank pari passu in all respects with the existing issued shares.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group represents the share capital of entities comprising the Group as a result of the reorganisation as set out in paragraphs headed "Reorganisation" in the section headed "History and Development" to the prospectus of the Company dated 22 September 2020 and the reserves arising from the business combination under common control.

Statutory reserve

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after income tax (after offsetting any prior years' losses), determined in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP"), to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary	16	**114,848**	114,848
Current assets			
Amounts due from subsidiaries		**30,631**	25,260
Prepayments		**222**	2,665
Cash and cash equivalents		**50,052**	49,350
		80,905	77,275
Current liabilities			
Other payables		**9,205**	8,506
Net current assets		**71,700**	68,769
Net assets		**186,548**	183,617
EQUITY			
Share capital	26	**12,152**	12,152
Reserves (note)		**174,396**	171,465
Total equity		**186,548**	183,617

Approved and authorised for issue by the board of directors on 30 March 2022.

Ng Yew Sum	**Lim Kai Seng**
Director	*Director*

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movement of the Company's reserves are as follows:

	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000
As at 1 January 2020	–	114,759	–	–	114,759
Dividend paid (note 13)	–	–	–	(15,000)	(15,000)
Issuance of share capital pursuant to the Global Offering (note 26b)	106,303	–	–	–	106,303
Issuance of share capital pursuant to the Capitalisation Issue (note 26c)	(9,025)	–	–	–	(9,025)
Expenses incurred in connection with the issuance of share capital	(32,899)	–	–	–	(32,899)
Profit for the year	–	–	–	9,341	9,341
Other comprehensive expense for the year:					
Exchange difference on translation to presentation currency	–	–	(2,014)	–	(2,014)
As at 31 December 2020 and 1 January 2021	**64,379**	**114,759**	**(2,014)**	**(5,659)**	**171,465**
Dividend paid (note 13)	**–**	**–**	**–**	**(7,438)**	**(7,438)**
Profit for the year	**–**	**–**	**–**	**13,163**	**13,163**
Other comprehensive expense for the year:					
Exchange difference on translation to presentation currency	**–**	**–**	**(2,794)**	**–**	**(2,794)**
As at 31 December 2021	**64,379**	**114,759**	**(4,808)**	**66**	**174,396**

29. RELATED PARTY TRANSACTIONS

Other than as disclosed in elsewhere to the consolidated financial statements, the Group entered into the following material related party transactions during the year.

29.1 Transactions with related parties

	2021 RMB'000	2020 RMB'000
Sales of goods to related companies		
— Sum Technic	**182**	329
— Micronaire Global Sdn. Bhd. (note)	**14**	26
Engagement fee paid to a related company		
— Sum Technic	**–**	1,175
— Micronaire Global	**13**	–

Note: Micronaire Global Sdn. Bhd. ("Micronaire Global") is a related company controlled by Ng Yew Sum, Francis Chia Mong Tet, Chin Sze Kee, Law Eng Hock, Yap Chui Fan and Lim Kai Seng, the Controlling Shareholders of the Company.

The above transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third party suppliers of the Group.

29.2 Key management personnel remuneration

	2021 RMB'000	2020 RMB'000
Salaries, allowances and other benefits	**8,621**	5,996
Retirement scheme contributions	**686**	389
	9,307	6,385

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, additions to property, plant and equipment of RMB116,000 (2020: RMB1,991,000) were financed by the lease arrangements.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliations of liabilities arising from financing activities are as follows:

	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Total RMB'000
As at 1 January 2020	26	3,102	14,675	17,803
Cash-flows:				
— Interest expense	–	(150)	–	(150)
— Repayment	(1)	(2,091)	(7,009)	(9,101)
— Proceeds	–	–	15,820	15,820
Non-cash:				
— Interest expense	–	150	–	150
— Additions	3	1,991	–	1,994
— Exchange realignment	–	(29)	(634)	(663)
As at 31 December 2020 and 1 January 2021	**28**	**2,973**	**22,852**	**25,853**
Cash-flows:				
— Interest expense	**–**	**(91)**	**–**	**(91)**
— Repayment	**(24)**	**(2,124)**	**(13,480)**	**(15,628)**
— Proceeds	**64**	**–**	**54,136**	**54,200**
Non-cash:				
— Interest expense	**–**	**91**	**–**	**91**
— Additions	**–**	**116**	**–**	**116**
— Termination of lease	**–**	**(30)**	**–**	**(30)**
— Modification of lease	**–**	**1,896**	**–**	**1,896**
— Exchange realignment	**(4)**	**(81)**	**(1,261)**	**(1,346)**
As at 31 December 2021	**64**	**2,750**	**62,247**	**65,061**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall financial risk management policies focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Group. No derivative financial instruments are used to hedge any risk exposures.

32.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2021 **RMB'000**	2020 RMB'000
Financial assets		
Financial assets at amortised cost:		
— Trade and other receivables	**79,923**	59,735
— Amounts due from related parties	**190**	5
— Pledged bank deposits	**1,624**	1,954
— Cash and cash equivalents	**110,536**	118,683
	192,273	180,377
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and other payables	**78,988**	60,055
— Amounts due to related parties	**64**	28
— Lease liabilities	**2,750**	2,973
— Borrowings	**62,247**	22,852
	144,049	85,908

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk mainly arises from its overseas sales and purchases, which are primarily denominated in USD and Singapore dollars ("SGD") and the Group's cash and cash equivalents denominated in foreign currencies, which are primarily denominated in USD and SGD. These are not the functional currency of the group entities to which these transactions relate.

The financial assets and liabilities denominated in USD and SGD, translated into RMB at the closing rates, are as follows:

	USD RMB'000	**SGD** RMB'000
As at 31 December 2021		
Trade and other receivables	**13,488**	**20,064**
Cash and bank balances	**8,677**	**1,529**
Trade and other payables	**(382)**	**(806)**
Overall net exposures	**21,783**	**20,787**
As at 31 December 2020		
Trade and other receivables	4,523	16,295
Cash and bank balances	4,052	7,257
Trade and other payables	(392)	(23)
Overall net exposures	8,183	23,529

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.2 Foreign currency risk *(Continued)*

The following table illustrates the sensitivity of the Group's profit for the years ended 31 December 2021 and 2020 and equity as at 31 December 2021 and 2020 in regard to an appreciation in the functional currency of respective group entities against USD and SGD. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate %	Decrease in profit for the year RMB'000	Decrease in equity RMB'000
Year ended 31 December 2021			
USD	**5%**	**849**	**849**
SGD	**5%**	**790**	**790**
Year ended 31 December 2020			
USD	5%	317	317
SGD	5%	894	894

The same percentage depreciation in the functional currency of respective group entities against the respective foreign currencies would have the same magnitude on the Group's profit for the years ended 31 December 2021 and 2020 and equity as at 31 December 2021 and 2020 but of opposite effect.

The Group does not hedge its foreign currency risk with USD and SGD. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

32.3 Interest rate risk

The Group has no significant interest-bearing assets/liabilities except for the bank balances and borrowings which are bearing variable rates, details of which have been disclosed in notes 21 and 24 respectively.

As at 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit for the year and accumulated profits by approximately RMB109,000 (2020: RMB227,000). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest exposure should the need arise.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from cash and cash equivalents, as well as granting credit to customers in the ordinary course of its operations.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2021 and 2020 is the carrying amount as disclosed in note 32.1.

Trade receivables and contract assets

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by management. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or upon goods and services transferred. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.7, the Group assesses ECL under HKFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from Covid-19.

Trade receivables and contract assets are written-off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments after the credit period from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2021, trade receivables and contract assets from an individual customer accounted for 21% (2020: 26%) of the total trade receivables and contract assets.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.4 Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

On the above basis, the ECL for trade receivables and contract assets as at 31 December 2021 and 2020 was determined as follows:

	Current RMB'000	1-365 days past due RMB'000	366-730 days past due RMB'000	More than 730 days past due RMB'000	Total RMB'000
As at 31 December 2021					
ECL rate (note)	**0% to 8%**	**6% to 13%**	**14% to 49%**	**50% to 98%**	
Gross carrying amount					
— trade receivables	**18,639**	**59,081**	**2,035**	**1,854**	**81,609**
— contract assets	**74,216**	**7,102**	**–**	**–**	**81,318**
Lifetime ECL	**5,539**	**7,732**	**361**	**1,587**	**15,219**
As at 31 December 2020					
ECL rate (note)	4% to 6%	10% to 17%	18% to 47%	100%	
Gross carrying amount					
— trade receivables	30,692	26,382	1,644	1,135	59,853
— contract assets	58,150	–	–	–	58,150
Lifetime ECL	4,285	3,129	496	1,135	9,045

Note: To measure the ECL, different ECL rates are used for different group of trade receivables and contract assets with similar shared credit risk characteristics and the days past due.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.4 Credit risk *(Continued)*

Other financial assets measured at amortised costs

Other financial assets measured at amortised costs include bill receivables, other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents. In order to minimise the credit risk of other receivables, management of the Group has designated a team responsible for determination of credit limits and credit approvals. Management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low.

Besides, management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.7 and, thus, ECL recognised is based on 12-month ECL. As at 31 December 2021 and 2020, the ECL rate applied for other receivables is insignificant.

The credit risks on bill receivables, pledged bank deposits and cash and cash equivalents are considered to be insignificant because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks.

The Group's credit risk on amounts due from related parties is considered to have low credit risk as it has a low risk of default and the counterparty has strong capacity to meet its contractual cash flow obligation in the near term.

32.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of its financing obligations and its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining contractual maturity as at 31 December 2021 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay. The amounts disclosed in the tables are the contractual undiscounted cash flows.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.5 Liquidity risk *(Continued)*

	Within 1 year or on demand RMB'000	Over 1 year but within 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2021				
Trade and other payables	**78,988**	**–**	**78,988**	**78,988**
Amounts due to related parties	**64**	**–**	**64**	**64**
Lease liabilities	**2,059**	**785**	**2,844**	**2,750**
Borrowings	**62,302**	**–**	**62,302**	**62,247**
	143,413	**785**	**144,198**	**144,049**
As at 31 December 2020				
Trade and other payables	60,055	–	60,055	60,055
Amounts due to related parties	28	–	28	28
Lease liabilities	1,982	1,100	3,082	2,973
Borrowings	22,941	–	22,941	22,852
	85,006	1,100	86,106	85,908

Bank loan with a repayment on demand clause is included in the "within 1 year or on demand" time band in the above maturity analysis.

As at 31 December 2021, the aggregate undiscounted principal and interest of the bank loan payables in accordance with the scheduled payment terms were RMB55,730,000 (2020: RMB17,566,000).

As at 31 December 2021, taking into account of the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. Included in the above balance, the directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.6 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair values in the consolidated statement of financial position are grouped into three levels fair value hierarchy.

The movement of bank wealth management products during the year in the balance of Level 3 fair value measurement is as follows:

	RMB'000
As at 1 January 2020	9,000
Disposal of bank wealth management products	(9,000)
As at 31 December 2020 and 1 January 2021	–
Purchase of bank wealth management products	**19,000**
Disposal of bank wealth management products	**(19,000)**
As at 31 December 2021	–

During the year ended 31 December 2021, there were no transfers between Level 1, Level 2 and Level 3 (2020: Nil).

Management considered the carrying amounts of financial assets and liabilities of the Group are not materially different from their fair values as at 31 December 2021 and 2020 due to immediate or short term of maturity.

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders. The Group manages capital by regularly monitoring its current and expected liquidity requirements.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, debt is defined as borrowings and lease liabilities net of pledged bank deposits and cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The net debt to equity ratio at each reporting date was as follows:

	2021 **RMB'000**	2020 RMB'000
Lease liabilities	**2,750**	2,973
Borrowings	**62,247**	22,852
Total borrowings	**64,997**	25,825
Less: pledged bank deposits	**(1,624)**	(1,954)
cash and cash equivalents	**(110,536)**	(118,683)
Net debt	**N/A**	N/A
Total equity	**225,857**	207,559
Net debt to equity ratio	**N/A**	N/A

34. CONTINGENT LIABILITY

During the year ended 31 December 2020, the Group discounted a bill receivable to bank for raising of cash. In the opinion of the directors, the Group has transferred the significant risk and reward relating to this bill receivable, and the Group's obligation to the corresponding counterparty was discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bill receivable is low because the endorsed and discounted bill receivable is issued and guaranteed by the reputable PRC bank. As a result, the relevant asset and liability was not recognised in the consolidated financial statements. The maximum exposure to the Group that may result from the default of this discounted bill receivable at the end of the reporting period are as follows:

	2021 **RMB'000**	2020 RMB'000
Discounted bill receivable for raising of cash	–	3,000

Maturity analysis of the outstanding endorsed and discounted bill receivable:

	2021 **RMB'000**	2020 RMB'000
Within 3 months	–	3,000

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the last five financial years ended 31 December 2021 is as follows:

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**267,549**	203,629	206,169	177,548	138,269
Profit before income tax	**43,324**	16,698	32,848	40,708	28,080
Profit for the year	**34,694**	10,600	25,929	32,270	22,026
Profit for the year attributable to:					
— Equity holders of the Company	**34,634**	10,523	18,184	20,696	13,899
— Non-controlling interests	**60**	77	7,745	11,574	8,127
	34,694	10,600	25,929	32,270	22,026

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**79,936**	36,003	37,627	36,195	34,109
Current assets	**313,984**	269,121	177,929	152,932	123,501
Total assets	**393,920**	305,124	215,556	189,127	157,610
Liabilities					
Non-current liabilities	**3,154**	3,680	4,745	5,264	3,404
Current liabilities	**164,909**	93,885	68,910	44,020	41,384
Total liabilities	**168,063**	97,565	73,655	49,284	44,788
Total equity	**225,857**	207,559	141,901	139,843	112,822