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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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022, RECOMMENDATION FOR DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

The financial highlights of the Group during the year ended 31 December 2022 (“**FY2022**” or the “**Year**”) together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”) are set out as follows:

	For the year ended 31 December		Change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	462,907	267,549	73.0%
Gross profit	149,597	95,307	57.0%
Profit for the year	75,410	34,694	117.4%
	<i>RMB cents</i>	<i>RMB cents</i>	
Earnings per share Basic and diluted	5.35	2.47	
Gross profit margin	32.3%	35.6%	
Net profit margin	16.3%	13.0%	

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Channel Micron Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Revenue	3	462,907	267,549
Cost of sales		<u>(313,310)</u>	<u>(172,242)</u>
Gross profit		149,597	95,307
Other income	4	5,311	2,577
Other gains and losses	5	4,557	1,302
Selling and distribution costs		(16,896)	(11,392)
Administrative and other operating expenses		(34,130)	(35,517)
Research and development expenses		(12,032)	(8,256)
Finance costs	6	<u>(2,730)</u>	<u>(697)</u>
Profit before income tax	7	93,677	43,324
Income tax expense	8	<u>(18,267)</u>	<u>(8,630)</u>
Profit for the year		<u>75,410</u>	<u>34,694</u>
Other comprehensive income/(expense)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Surplus/(Deficit) on revaluation of freehold land and building held for own use		1,009	(449)
Deferred tax arising from revaluation of freehold land and building		<u>(242)</u>	<u>101</u>
		767	(348)
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>6,501</u>	<u>(8,610)</u>
Other comprehensive income/(expense) for the year, net of tax		<u>7,268</u>	<u>(8,958)</u>
Total comprehensive income for the year		<u>82,678</u>	<u>25,736</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year attributable to:			
Equity holders of the Company		74,955	34,634
Non-controlling interests		455	60
		<u>75,410</u>	<u>34,694</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		82,223	25,676
Non-controlling interests		455	60
		<u>82,678</u>	<u>25,736</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	<i>10</i>	<u>5.35</u>	<u>2.47</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		75,240	73,455
Deferred tax assets		4,606	6,481
		79,846	79,936
Current assets			
Inventories		40,484	32,012
Trade and other receivables	<i>11</i>	75,874	94,652
Contract assets	<i>12</i>	104,620	74,253
Amounts due from related parties		374	190
Income tax recoverable		4,222	717
Pledged bank deposits		1,552	1,624
Cash and cash equivalents		160,084	110,536
		387,210	313,984
Current liabilities			
Trade and other payables	<i>13</i>	94,860	79,569
Contract liabilities	<i>12</i>	5,255	14,923
Amounts due to related parties		73	64
Lease liabilities		2,708	1,985
Borrowings	<i>14</i>	60,483	62,247
Income tax payable		7,912	6,121
		171,291	164,909
Net current assets		215,919	149,075
Total assets less current liabilities		295,765	229,011
Non-current liabilities			
Lease liabilities		1,033	765
Deferred tax liabilities		2,727	2,389
		3,760	3,154
Net assets		292,005	225,857

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
EQUITY			
Share capital	<i>15</i>	12,152	12,152
Reserves		278,716	213,088
Equity attributable to equity holders of the Company		290,868	225,240
Non-controlling interests		1,137	617
Total equity		292,005	225,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Lot P.T. 14274, Jalan SU8, Persiaran Tengku Ampuan, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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, Lim Kai Seng, Loh Wei Loon and Phang Chee Kin (collectively referred to as the “**Controlling Shareholders**”).

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the provision of cleanroom wall and ceiling systems and cleanroom equipment in the People’s Republic of China (the “**PRC**”) and Southeast Asia.

1.2 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 HKFRSs, 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 the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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.

2.2 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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

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.

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Timing of revenue recognised over time		
— Cleanroom projects	257,987	151,456
Timing of revenue recognised at a point in time		
— Sales of goods	204,920	116,093
	462,907	267,549

3.2 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.

Information regarding the Group's reportable segments as provided to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2022 is as follows:

	Cleanroom wall and ceiling systems <i>RMB'000</i>	Cleanroom equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022				
Reportable segment revenue	419,939	12,518	30,450	462,907
Reportable segment cost of sales	(283,412)	(10,240)	(19,658)	(313,310)
Reportable segment gross profit	<u>136,527</u>	<u>2,278</u>	<u>10,792</u>	<u>149,597</u>
Year ended 31 December 2021				
Reportable segment revenue	235,163	15,608	16,778	267,549
Reportable segment cost of sales	<u>(149,807)</u>	<u>(9,633)</u>	<u>(12,802)</u>	<u>(172,242)</u>
Reportable segment gross profit	<u>85,356</u>	<u>5,975</u>	<u>3,976</u>	<u>95,307</u>

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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from external customers		
— The PRC (excluding Hong Kong)	281,615	143,671
— Malaysia	84,404	50,012
— Philippines	48,763	28,631
— Singapore	26,414	38,291
— The United States	8,308	1,913
— Germany	7,708	11
— Others	5,695	5,020
	462,907	267,549
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Specified non-current assets		
— The PRC (excluding Hong Kong)	4,625	3,509
— Malaysia	70,396	69,847
— Others	219	99
	75,240	73,455

Information about major customers

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer 1	75,936	39,433
Customer 2	58,445	N/A*
Customer 3	N/A*	27,390

* 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.

4. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	1,133	267
Government grants (<i>note</i>)	2,348	1,758
Insurance income	1,036	–
Sundry income	794	552
	<u>5,311</u>	<u>2,577</u>

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

5. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain/(Loss) on disposal of property, plant and equipment, net	316	(18)
Gain on lease modification	–	30
Gain on lease termination	8	–
Exchange gains, net	4,233	1,290
	<u>4,557</u>	<u>1,302</u>

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest charges on:		
— bank loans	2,580	606
— lease liabilities	150	91
	<u>2,730</u>	<u>697</u>

7. PROFIT BEFORE INCOME TAX

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remunerations		
— audit services	1,634	1,381
— non-audit services	206	191
Cost of inventories recognised as an expense, including	233,222	117,942
— write-down of inventories to net realisable value, net	469	1,197
Depreciation of property, plant and equipment on:		
— owned assets	1,212	1,173
— right-of-use assets	2,743	2,141
(Reversal of)/Provision of expected credit losses (“ECL”) allowance of trade receivables, net	(3,265)	2,140
(Reversal of)/Provision of ECL allowance of contract assets, net	(445)	4,313
Provision of ECL allowance of other receivables	13	—
Research and development expenses (including staff costs)	12,032	8,256
Deficit on revaluation of freehold land	2,201	—
Short-term leases charges	751	359
Write-off of property, plant and equipment	29	—
Exchange gains, net	(4,233)	(1,290)
	<u> </u>	<u> </u>

8. 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% (2021: 24%) on the estimated assessable profit for the year ended 31 December 2022 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% (2021: 25%) 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% (2021: 1%) minimum corporate income tax on gross income or tax equivalent to 25% (2021: 25%) 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% (2021: 25%) on the estimated assessable profit for the year ended 31 December 2022 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% (2021: 15%) on its estimated assessable profit for the year ended 31 December 2022.

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% 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% (2021: 200%) for the year ended 31 December 2022 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the year ended 31 December 2022 (“**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 2022 and 2021.

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Current tax		
The PRC EIT		
— Current year	9,073	2,935
— (Over)/Under-provision in respect of prior years	(9)	40
Malaysian Income Tax		
— Current year	7,192	9,157
— Over-provision in respect of prior years	(735)	(680)
Philippines Income Tax		
— Current year	684	375
	<u>16,205</u>	<u>11,827</u>
Deferred tax		
— Current year	2,272	(3,076)
— Effect on change in tax rate	(302)	—
— Under/(Over)-provision in respect of prior years	92	(121)
	<u>2,062</u>	<u>(3,197)</u>
Income tax expense	<u><u>18,267</u></u>	<u><u>8,630</u></u>

9. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends to equity holders	<u>16,595</u>	<u>7,438</u>

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.

Pursuant to a written resolution passed by the directors of the Company on 30 March 2022, a final dividend of HK0.67 cents per share in respect of the year ended 31 December 2021 has been declared and paid.

Pursuant to a written resolution passed by the directors of the Company on 29 August 2022, an interim dividend of HK0.71 cents per share in respect of the six months ended 30 June 2022 has been declared and paid.

A special dividend and the final dividend of HK0.46 cents per share and HK0.70 cents per share, respectively, have been proposed after the reporting date have not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2022.

10. EARNINGS PER SHARE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	<u>74,955</u>	<u>34,634</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	<u>1,400,000</u>	<u>1,400,000</u>

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.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	66,007	81,609
Less: ECL allowance	<u>(4,978)</u>	<u>(8,154)</u>
	61,029	73,455
Bill receivables	<u>3,124</u>	<u>4,102</u>
	<u>64,153</u>	<u>77,557</u>
Other receivables		
— Prepayments	3,526	6,960
— Other tax receivables	4,447	7,769
— Other receivables	2,452	1,510
— Rental and other deposits	<u>1,341</u>	<u>888</u>
	11,766	17,127
Less: ECL allowance	<u>(45)</u>	<u>(32)</u>
	<u>11,721</u>	<u>17,095</u>
	<u><u>75,874</u></u>	<u><u>94,652</u></u>

All bill receivables are due within one year.

The credit period is generally for a period of 0 to 90 days (2021: 0 to 90 days). Based on the invoice dates, the ageing analysis of trade receivables, net of ECL allowance, was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–90 days	34,037	53,588
91–180 days	21,401	11,735
181–365 days	3,408	4,282
Over 365 days	<u>2,183</u>	<u>3,850</u>
	<u><u>61,029</u></u>	<u><u>73,455</u></u>

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

12.1 Contract assets

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract assets arising from		
— Cleanroom projects	109,610	76,838
— Sales of goods	1,610	4,480
Less: ECL allowance	<u>(6,600)</u>	<u>(7,065)</u>
	<u>104,620</u>	<u>74,253</u>

12.2 Contract liabilities

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities arising from		
— Cleanroom projects from billings in advance of performance	1,466	5,197
— Receiving deposits of manufacturing orders	<u>3,789</u>	<u>9,726</u>
	<u>5,255</u>	<u>14,923</u>

13. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	66,254	63,971
Bill payables	<u>—</u>	<u>2,486</u>
	<u>66,254</u>	<u>66,457</u>
Other payables		
— Accrued expenses	11,271	7,779
— Other tax payables	5,976	581
— Other payables	<u>11,359</u>	<u>4,752</u>
	<u>28,606</u>	<u>13,112</u>
	<u>94,860</u>	<u>79,569</u>

The Group was granted by its supplier credit periods ranging from 30 to 90 days (2021: 30 to 90 days). Based on the invoice dates, the ageing analysis of trade payables were as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–90 days	48,681	55,729
91–180 days	7,943	594
181–365 days	4,780	4,096
Over 365 days	4,850	3,552
	<u>66,254</u>	<u>63,971</u>

14. BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank overdrafts	–	277
Bank loans, wholly repayable within one year or on demand		
— Secured	45,483	46,970
— Unsecured	15,000	15,000
	<u>60,483</u>	<u>62,247</u>

As at 31 December 2022, the bank loans bear effective interest rates of range from 3.7% to 4.4% (2021: 2.3% to 4.6%) per annum.

As at 31 December 2022, the Group's bank loans of RMB45,483,000 (2021: RMB46,970,000) were secured by the legal charges over the Group's freehold land and building.

15. SHARE CAPITAL

	Number of shares	<i>RMB'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>10,000,000,000</u>	<u>86,773</u>
Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>1,400,000,000</u>	<u>12,152</u>

There is no movement in the Company's share capital for both years.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

FY2022 has been a successful year for the Group. The Group's revenue and net profit significantly increased by 73.0% and 117.4% respectively as compared to FY2021, due to the surge in market demand for the Group's cleanroom products and the increase in profit due to the greater economies of scale. The growth in market demand for the Group's cleanroom products, which are mostly applied in cleanrooms for semiconductor plants, is driven by the increasing investment in semiconductor industry in response to the global semiconductor shortage.

The Group has been making concerted efforts to expand its production capacity in both Malaysia and the PRC in order to meet the growing demand for its products and seize market opportunities. In Malaysia, the Group has acquired a parcel of land spanning approximately 16,056 square meters, where it intends to build a new production facility (the "**New Production Facility**"). While the government verbally cleared the construction plan in August 2022, the Group is still awaiting the issuance of the official approval letter as of the date of this announcement. This delay has pushed back the New Production Facility's full operation date from the fourth quarter of 2023 to the second quarter of 2024. It is expected that, upon its full operation, the New Production Facility will boost the Group's production capacity for cleanroom wall and ceiling systems by around 80% and for cleanroom equipment by around 62%.

In the PRC, the Group is actively searching for suitable premises and has extended the rental period of its temporary factory until November 2023 as an interim measure. As of the date of this announcement, the Group has yet to find a suitable premises which meets its requirements in terms of size and location.

During FY2022, the Group's production and projects in Shanghai, the PRC, were temporarily halted for around two months from late March 2022 to the end of May 2022 due to COVID-19 lockdown restrictions. To overcome this challenge, the Group adopted various measures such as procuring more semi-finished wall and ceiling panels from suppliers outside Shanghai for further processing at project sites during the lockdown, hiring short-term production staff, and increasing production hours after the lockdown. These efforts allowed the Group to catch up with the project progress, and despite the lockdown in Shanghai during the aforesaid period, the Group achieved a significant increase in sales for cleanroom wall and ceiling systems from the PRC of RMB137.9 million or 96.0% for FY2022 as compared to FY2021.

The Directors believe that FY2022 was a major opportunity to fuel the ready foundation for growth which the Group has been preparing for. The Group has proven its ability to capture the opportunity, thanks to its Group's solid business foundation supported by the Group's strong and long-term relationship with the Group's customers, well-established brand name and track record.

OUTLOOK

As the Group moves forward, it recognizes that there are both opportunities and uncertainties ahead. The ongoing US-China trade tensions have created an unpredictable environment, which may impact the investments and progress of semiconductor facilities in the PRC market in the coming year. However, the Group is optimistic about its market outlook in Southeast Asia, where it expects to see continued investment in semiconductors industry and data centre. The Group is taking proactive measures to manage the situation and mitigate the impact of the uncertainties.

The Group attributes its past success to capture market opportunities and its ability to weather uncertainties to its strong and long-term relationship with its customers, as well as its well-established brand name and track record. The Group will continue to focus on improving its products and services, expanding its customer base, and production capacity. It is committed to staying ahead of industry trends and adapting to changing market conditions to ensure the long-term success of the Company.

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			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Cleanroom wall and ceiling systems	419,939	90.7	235,163	87.9
Cleanroom equipment	12,518	2.7	15,608	5.8
Others	30,450	6.6	16,778	6.3
Total	462,907	100	267,549	100

Cleanroom wall and ceiling systems

Revenue from cleanroom wall and ceiling systems for FY2022 increased by RMB184.8 million or 78.6% as compared to FY2021. The sales for cleanroom wall and ceiling systems in the PRC and Southeast Asia increased by approximately RMB137.9 million and RMB46.8 million respectively for FY2022 as compared to FY2021. The increase in revenue from the PRC and the Southeast Asia was mainly due to the existing and new contracts obtained in 2022 as a result of strong demand for the Group's cleanroom wall and ceiling systems.

The more sizable contracts we undertook in FY2022 included:

- (a) 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 FY2022 amounted to RMB15.5 million, representing 3.7% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (b) a contract to supply cleanroom wall and ceiling system products for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2022 amounted to RMB12.1 million, representing 2.9% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (c) 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 FY2022 amounted to RMB11.5 million, representing 2.7% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (d) a contract to supply cleanroom wall and ceiling system products with wall installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2022 amounted to RMB11.0 million, representing 2.6% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (e) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product test and assembly facility in the PRC, from which revenue generated for FY2022 amounted to RMB9.6 million, representing 2.3% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;

- (f) 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 FY2022 amounted to RMB8.8 million, representing 2.1% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (g) a contract to supply cleanroom wall and ceiling system products for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2022 amounted to RMB8.4 million, representing 2.0% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (h) 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 FY2022 amounted to RMB8.3 million, representing 2.0% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (i) a contract to supply cleanroom wall and ceiling system products for the construction of a pharmaceutical facility in Malaysia, from which revenue generated for FY2022 amounted to RMB8.3 million, representing 2.0% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (j) a contract to supply cleanroom wall and ceiling system products for the construction of a semiconductor product manufacturing facility in Germany, from which revenue generated for FY2022 amounted to RMB7.7 million, representing 1.7% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (k) 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 FY2022 amounted to RMB7.3 million, representing 1.7% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (l) a contract to supply cleanroom wall and ceiling system products for the construction of a semiconductor product manufacturing facility in Singapore, from which revenue generated for FY2022 amounted to RMB6.8 million, representing 1.6% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;

- (m) a contract to supply cleanroom wall and ceiling system products with wall installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2022 amounted to RMB6.6 million, representing 1.6% of total cleanroom wall and ceiling systems revenue of the Group for FY2022;
- (n) a contract to supply cleanroom wall and ceiling system products with wall installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2022 amounted to RMB6.3 million, representing 1.5% of total cleanroom wall and ceiling systems revenue of the Group for FY2022; and
- (o) a contract to supply cleanroom wall and ceiling system products with wall installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for FY2022 amounted to RMB5.5 million, representing 1.3% of total cleanroom wall and ceiling systems revenue of the Group for FY2022.

Cleanroom equipment

Revenue from cleanroom equipment for FY2022 decreased by RMB3.1 million or 19.8% as compared to FY2021. This is mainly due to the Group had a higher revenue from cleanroom equipment in FY2021 because the Group obtained and completed a significant contract in 2021 for supply of cleanroom equipment for a semiconductor product manufacturing facilities in the Philippines, which generated a revenue of RMB7.6 million, representing 48.8% of total cleanroom equipment revenue of the Group for 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 FY2022 increased by RMB13.7 million or 81.5% as compared to FY2021. Such increase was mainly due to certain contracts to supply raised floor systems and other products in Philippines.

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			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
The PRC (excluding Hong Kong)	281,615	60.8%	143,671	53.7%
Malaysia	84,404	18.2%	50,012	18.7%
Philippines	48,763	10.6%	28,631	10.7%
Singapore	26,414	5.7%	38,291	14.3%
The United States	8,308	1.8%	1,913	0.7%
Germany	7,708	1.7%	11	0.0%
Others	5,695	1.2%	5,020	1.9%
Total	<u>462,907</u>	<u>100.0%</u>	<u>267,549</u>	<u>100.0%</u>

Revenue from the PRC for FY2022 increased by RMB137.9 million, or 96.0%, as compared to FY2021. 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 and Philippines for FY2022 increased by RMB34.4 million and RMB20.1 million respectively as compared to FY2021. Such increase was due to the increase in sales of cleanroom wall and ceiling systems and other products as explained above.

Furthermore, during FY2022, the Group recorded revenue from the United States and Germany for supply of cleanroom wall and ceiling systems to semiconductor product manufacturing facilities.

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			
	2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Cleanroom wall and ceiling systems	136,527	32.5	85,356	36.3
Cleanroom equipment	2,278	18.2	5,975	38.3
Others	10,792	35.4	3,976	23.7
Total	<u>149,597</u>	32.3	<u>95,307</u>	35.6

The gross profit margin of cleanroom wall and ceiling systems for FY2022 decreased by 3.8 percentage points as compared to FY2021. As explained above, due to the lockdown measures in Shanghai, the Group's production and projects were temporarily suspended for around two months from late March 2022 to end of May 2022. To catch up with the progress of on-going projects outside Shanghai during such period, the Group bought more semi-finished wall and ceiling panels from suppliers outside Shanghai for further processing at the project sites during such period. After the lockdown, the Group also incurred extra labour costs in hiring short term production staff and making overtime payment to catch up with the production progress. Furthermore, the raw material prices had increased in FY2022 as compared to FY2021. All these factors had led to the decline in the gross profit margin of the cleanroom wall and ceiling systems for FY2022 as compared to FY2021.

The gross profit margin of cleanroom equipment for FY2022 decreased by 20.1 percentage points as compared to FY2021. As explained above, the cleanroom equipment revenue for FY2021 was higher which had led to a higher operational efficiency which in turn resulted in a higher gross profit margin during FY2021.

Gross profit margin of ancillary business for FY2022 increased by 11.7 percentage points as compared to FY2021. The increase in revenue in this segment in FY2022 had led to a higher operational efficiency.

OTHER INCOME

During FY2022, the Group recorded other income of RMB5.3 million in which (i) RMB2.3 million represents subsidies received from provincial government in the PRC for subsidizing the Group's operations; (ii) RMB1.1 million represents bank interests income; and (iii) RMB1.0 million represents the insurance claim for the flooding incident in our Malaysia office.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 48.3% to RMB16.9 million (2021: RMB11.4 million), which was mainly due to increase in sales commission and packaging expenses as a result of increase in revenue.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses decreased to RMB34.1 million (2021: RMB35.5 million), with its percentage of revenue decreased to 7.4% (2021: 13.3%).

INCOME TAX EXPENSE

Income tax expense was RMB18.3 million for FY2022 (2021: RMB8.6 million). The decrease in effective tax rate, representing income tax expense divided by profit before income tax of 19.5% for FY2022 (2021: 19.9%).

PROFIT FOR THE YEAR

As a result of the above and in particular, the increase in revenue from RMB267.5 million for FY2021 to RMB462.9 million for FY2022 and the relatively stable cost level, net profit increased by 117.4% to RMB75.4 million (FY2021: RMB34.7 million). Net profit margin increased from 13.0% for FY2021 to 16.3% for FY2022.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to RMB75.2 million and RMB73.5 million as at 31 December 2022 and 2021, respectively, and mainly comprised freehold land and building for the production facilities, warehouses and office premises in Malaysia of the Group.

INVENTORIES

Inventories increased from RMB32.0 million as at 31 December 2021 to RMB40.5 million as at 31 December 2022 which is in line with the increment in revenue.

TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased to RMB75.9 million as at 31 December 2022 as compared to RMB94.7 million as at 31 December 2021.

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 RMB74.3 million as at 31 December 2021 to RMB104.6 million as at 31 December 2022, which is in line with the increment in revenue.

TRADE AND OTHER PAYABLES

Trade and other payables increased from RMB79.6 million as at 31 December 2021 to RMB94.9 million as at 31 December 2022 in line with the increment in revenue.

HUMAN RESOURCES

As at 31 December 2022, the total number of full-time employees of the Group was 205 (2021: 176). 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 RMB38.3 million (2021: RMB30.8 million).

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Cash and cash equivalents increased to RMB160.1 million as at 31 December 2022.

As at 31 December 2022, borrowings amounted to RMB60.5 million (2021: RMB62.2 million) with effective interest rates of range from 3.7% to 4.4% (2021: from 2.3% to 4.6%), per annum.

The gearing ratio, which was calculated on the basis of bank borrowings and lease liabilities divided by total equity, was 0.22 (2021: 0.29).

CAPITAL EXPENDITURE AND COMMITMENTS

During the Year, total investment in property, plant and equipment was RMB4.6 million (2021: RMB45.5 million).

As at 31 December 2022, the Group had no contracted capital commitments.

CAPITAL STRUCTURE

As at the date of this announcement, 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.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group held no major investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2022, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

EVENTS AFTER THE REPORTING PERIOD

On 15 February 2023 the Board held a meeting to approve the declaration and payment of a special dividend as a reward to the shareholders of the Company (the “**Shareholders**”) for their continuing support. Details of the same could be referred to the announcement on the date.

Apart from the above, there were no other significant events after the reporting period up to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, RMB1.6 million (2021: RMB1.6 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 2022, the Group's bank loans of RMB45.5 million (2021: RMB47.0 million) were secured by the legal charges over the Group's freehold land and building.

Other than the above, as at 31 December 2022, 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 2022, the Group did not have any contingent liabilities.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK0.70 cents per Share for the year ended 31 December 2022 (FY2021: HK0.67 cents per Share) to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 9 June 2023. The final dividend will be paid on or before Monday, 26 June 2023, subject to the Shareholders' approval at the annual general meeting of the Company (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Tuesday, 30 May 2023 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 Wednesday, 24 May 2023 to Tuesday, 30 May 2023, both dates 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 May 2023.

Upon obtaining approval of the Shareholders at the forthcoming AGM, for the purpose of determining the Shareholders' entitlement to the final dividend for the year ended 31 December 2022, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Friday, 9 June 2023, both dates 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2023.

CORPORATE GOVERNANCE

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 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 to 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 Board is of the view that, the Company has fully complied with all the applicable code provisions as set out in the CG Code, except for code provision C.2.1 as set out below, throughout the Year.

Pursuant to code provision C.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 FY2022, 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 of the Company (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 C.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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee currently 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 Group’s audited consolidated annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022, and the related notes thereto as set out in this announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the Year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.channelmicron.com/>) respectively.

The annual report of the Company for the year ended 31 December 2022 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and made available on the above websites in due course.

APPRECIATION

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.

By Order of the Board
Channel Micron Holdings Company Limited
Ng Yew Sum
Chairman and Executive Director

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises: (1) Mr. NG Yew Sum (Chairman), Mr. CHIN Sze Kee, Mr. LAW Eng Hock and Mr. LIM Kai Seng as the executive Directors; and (2) Mr. NG Seng Leong, Mr. Martin Giles MANEN and Mr. WU Chun Sing as the independent non-executive Directors.