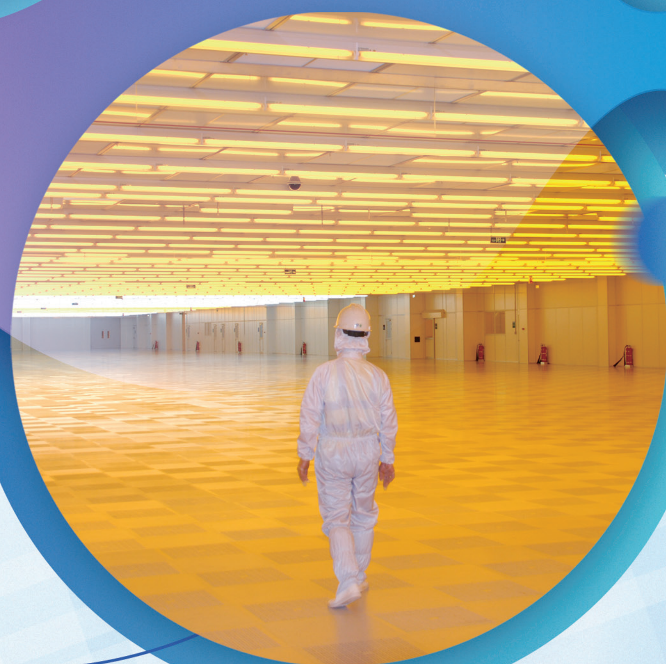
Channel Micron Holdings Company Limited
捷心隆控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)
(Stock Code：2115)

Annual Report 2022



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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 (resigned on 30 May 2022)

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. Chan Sze Ting

AUTHORISED REPRESENTATIVES

Mr. Ng Yew Sum
Ms. Chan Sze Ting

AUDITORS

Grant Thornton Hong Kong 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

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, 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
17/F, Far East Finance Centre
16 Harcourt Road
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	:	Thursday, 30 March 2023
2023 annual general meeting (the "**AGM**")	:	Tuesday, 30 May 2023

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., Tuesday, 23 May 2023
Period of closure of register of members	:	Wednesday, 24 May 2023 to Tuesday, 30 May 2023

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

Latest time for lodging transfer documents of shares	:	4:30 p.m., Tuesday, 6 June 2023
Period of closure of register of members	:	Wednesday, 7 June 2023 to Friday, 9 June 2023
Record date	:	Friday, 9 June 2023

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Monday, 26 June 2023 to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 9 June 2023.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 30 May 2023. Notice of the AGM will be set out in the Company's circular dated Friday, 28 April 2023 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.

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 2022 ("**FY2022**" or the "**Year**").

FY2022 has been a successful year for the Group. The Group is proud to report that it has achieved remarkable results with the Group's revenue and net profit significantly increased by 73.0% and 117.4% respectively as compared to FY2021. This is attributable 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.

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.

The Group would like to take this opportunity to express its gratitude to the shareholders for their continued support. Without your trust and confidence in the Group, it would not have been able to achieve its success. The Group will continue to work hard to earn and maintain your trust and support.

In closing, the Group remains cautiously optimistic about the future and is confident in its ability to navigate the changing market conditions.

Ng Yew Sum
Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group's revenue and profitability raised to its record high in FY2022. The Group's revenue significantly increased by 73.0% as compared to FY2021 as a result of the increase in market demand for the Group's cleanroom products. 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's net profit increased by 117.4% as compared to FY2021 due to the greater economies of scale.

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 report. 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 report, the Group has yet to find a 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.

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	
	RMB'000	**%**	RMB'000	%
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	
	RMB'000	**%**	RMB'000	%
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	**462,907**	**100.0%**	267,549	100.0%

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 RMB'000	**Gross profit margin %**	Gross profit RMB'000	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	**149,597**	**32.3**	95,307	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 subsiding 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 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 2022, 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 2022 RMB million	Unutilised net proceeds as at 31 December 2022 RMB million	Expected timeline for the unutilised net proceeds
Expansion and renovation of production facilities in the PRC	34.0	16.1	**0.4** (Note 1)	**15.7**	On or before December 2023
Expansion of production facilities in Malaysia	34.7	16.5	**13.3**	**3.2**	On or before June 2024 (Note 2)
Strengthening sales and marketing, and engineering and support functions in the PRC and Malaysia by hiring additional staff	9.0	4.3	**3.8**	**0.5**	On or before December 2023 (Note 3)
Strengthening accounts and administration functions and upgrading information technology systems to cater for business growth	3.5	1.7	**1.7**	**–**	N/A
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	**28.1**	**19.4**	

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 FY2022. the Group utilized RMB0.4 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 pending the official 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 30 June 2024.

3) As some of the new hires left after staying for a short period of time, the Group was unable to utilize all the allocated proceeds by 31 December 2022. However, the Group is committed to utilizing the remaining allocated proceeds of RMB0.5 million for its intended purpose and are actively seeking new candidates to fill the vacant positions. It is expected that the remaining allocated proceeds of RMB0.5 million would be completely utilized by 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 56, 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 33 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 47, 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 23 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 61, 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 40 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 46, 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 22 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Seng Leong, aged 63, 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 40, 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 18 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 68, 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 43 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. Hee Kok Hiong, aged 51, is the Chief Financial Officer of the Group. He joined the Group as Chief Financial Officer in December 2022 and is primarily responsible for overseeing overall administration, corporate affairs, financial management and accounting functions of the Group.

Mr. Hee is a Fellow member of the Association of Chartered Certified Accountants (UK) and Chartered Accountant of Malaysia Institute of Accountants. He has more than 26 years working experience in the areas of finance and administration where he started his career as an audit assistant at Ernst & Young in 1996 where he led and managed various statutory and special audits of companies in a wide spectrum of industries. He left the firm in 2001 to join a co-operative society as its Manager for Finance & Administration Department. From February 2004 to September 2009, he joined a private company with business operations worldwide, overseeing its finance, administration and human resource functions. Prior to joining the Company as its Chief Financial Officer in December 2022, he was the Chief Financial Officer of Frontken Corporation Berhad, a public company listed on the Main Market of Bursa Malaysia Securities, where he spent 13 years with the company from 2009.

Mr. Hee was graduated from the Association of Chartered Certified Accountants (UK) and obtained a diploma in commerce (financial accounting) from Tunku Abdul Rahman College (now Tunku Abdul Rahman University of Management and Technology) in 1996.

Mr. Loh Wei Loon, aged 44, 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 54, 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 43, 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 43, 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. Chan Sze Ting (陳詩婷), was appointed as the company secretary of the Company on 1 November 2022. Ms. Chan is a director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 17 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan holds a bachelor of arts from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

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 Board is of the view that, throughout the year ended 31 December 2022 (the "**Year**"), 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 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 ("**ESG**") report, and ii) the outcomes of stakeholder engagement and materiality assessment. Further details of the Group's environmental policies and performance is disclosed in the ESG report on pages 61 to 97 of this annual report.

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 (resigned on 30 May 2022)

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 16 to 21 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 C.5.1 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. Nine Board meetings were held during the Year.

Pursuant to code provision C.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.

One general meeting of the Company were held during the Year. Independent non-executive Directors have attended the general meeting 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	9/9	1/1
Mr. Law Eng Hock	5/9	1/1
Mr. Lim Kai Seng	8/9	1/1
Mr. Chin Sze Kee	6/9	1/1
Ms. Yap Chui Fan (resigned on 30 May 2022)	2/9	0/1
Independent Non-executive Directors		
Mr. Ng Seng Leong	7/9	1/1
Mr. Wu Chun Sing	7/9	1/1
Mr. Martin Giles Manen	7/9	1/1

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 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 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 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.

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. The independent non-executive Directors are identified in all corporate communications that disclose the names of Directors. 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.

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Board as well as the Nomination Committee are committed to assessing the Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- no involvement in the daily management of the Company; and
- no financial, business or family or other material relationships with other members of the Board or circumstances which would interfere with the exercise of their independent judgment.

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. On 26 September 2022, each of the independent non-executive Directors has signed a letter of appointment for a further term of one year from 26 September 2022.

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. Such delegation is reviewed periodically.

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 on 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
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 2021;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2022;
- 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 and effectiveness of internal audit function;

- 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 2022 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, two 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)*	2/2
Mr. Martin Giles Manen	2/2
Mr. Ng Yew Sum	2/2

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

- reviewed the remuneration policy and structure of the Group;
- assessed performance of executive directors; 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	5

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)*	2/2
Mr. Martin Giles Manen	2/2
Mr. Ng Seng Leong	2/2

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.

As at the date of this report, the Board consists of seven male members and currently has no female Director. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one female Director on the Board pursuant to the Director Nomination Policy no later than 31 December 2024. The Board shall from time to time (and not less than an annual basis) monitor and review the Board Diversity Policy to ensure it remains effective and relevant to the Company's needs and reflects current regulatory requirements and good corporate governance practices.

In respect of succession plan for achieving gender diversity on the Board, the Board has (i) set a target to have at least one female Director by 31 December 2024, and (ii) placed an emphasis on inclusive hiring practices to ensure that qualified female candidates are given equal consideration alongside their male counterparts. By placing emphasis on gender diversity in the succession planning process, the Company ensures that it has a diverse pipeline of candidates ready to step into leadership positions when vacancies arise.

The details of workforce composition were disclosed under the ESG report in this annual report.

The recruitment strategy of the Group is to employ a right staff for a right position regardless of the gender, and that the Company welcomes all gender to join. The Group has various departments which are led by different male and female staff, and in order to enhance efficiency, the Company has not set a measurable objective for achieving gender diversity at workforce level. In particular, gender diversity is a particular challenge in the cleanroom wall and ceiling and equipment production industry with its labour intensive work nature. Nonetheless, on a merit-based policy, the Company commits to providing equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits.

Board Independence Evaluation Mechanism

The Company has established a Board Independence Evaluation Mechanism ("**Mechanism**") which sets out the processes and procedures to ensure a strong independent element on the Board and the Mechanism has been updated and approved by the Board in the meeting held on 30 March 2023 which aims to allow the Board could effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Mechanism, the Board will conduct annual review on its independence. The Board will discuss the result and action plan for improvement on the Board Independence Evaluation, if appropriate.

During the year ended 31 December 2022, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board acknowledges that the Board Independence Evaluation during the year were satisfactory.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

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 2023, 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 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 2022 are effective and adequate. The annual review also covered the adequacy of resources, staff qualifications and experience, training programmes, budget of the Company's accounting and financial reporting function as well as those relating to the Company's ESG performance and reporting.

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. Employees with legitimate concerns can raise the matter directly with Ms. Sarah Wan, Human Resources Manager ("**Ms. Wan**"). Ms. Wan will review the complaint and decide how the investigation should proceed. The Audit Committee has the overall responsibility over implementation, monitoring and periodic review of the whistleblowing policy.

To promote a culture of compliance, ethical conduct and good corporate governance within the Group, the Company prohibits all forms of corruption and is committed to preventing and investigating all forms of corruption. The Company sets out the relevant requirements in the employees' code of conduct to guide the employees with ways to deal with conflicts of interest. The Company established whistle-blowing channels that allows any corruption issue raised to our top management for follow-up, investigation, and reporting.

During the Year, the Company was in compliance with relevant laws and regulations, such as the Anti-Corruption Commission Act in Malaysia, and the Anti-unfair Competition Law of the People's Republic of China, relating to bribery, extortion, fraud and money laundering.

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 102 to 103 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 RMB1.6 million and RMB0.2 million, respectively. The non-audit Services represent interim results review services. 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	1,634
Non-audit Services	206

COMPANY SECRETARY

Ms. Chan Sze Ting ("**Ms. Chan**") 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. Chan 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. Mr. Hee Kok Hiong, the Chief Financial Officer, has been designated as the primary contact person at the Company which would work and communicate with Ms. Chan on the Company's corporate governance and secretarial and administrative matters.

For the Year, Ms. Chan 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:	ysng@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 made the amendments to its Articles of Association to be in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022. The amendments and the adoption of the new Articles of Association were duly approved by the Shareholders by way of a special resolution at the annual general meeting in 2022.

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

Shareholders' Communication Policy

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.

To uphold high standards of corporate governance, the Company maintains effective communications with the Shareholders and other stakeholders by disseminating information in a timely and accurate manner. The Board has established the Shareholders' Communication Policy which aims to promote effective communication between the Company and the Shareholders and other stakeholders and to enable the Shareholders to exercise their rights effectively in an informed manner. The Shareholders' Communication Policy will be reviewed by the Board on a regular (not less than an annual) basis to ensure its implementation and effectiveness. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Year and considered it to be effective.

The Company has established several channels to communicate with the Shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at https://www.channelmicron.com/;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong branch share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company is committed to complying with disclosure rules and regulations stipulated by the relevant regulatory bodies, and to communicating the Company's business strategies, development and goals to investors.

Dividend Policy

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 2022.

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 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, 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 AND OUTLOOK

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 180 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 ESG report of the Company in this annual report.

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 35 to 36 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. Mr. Hee Kok Hiong, the Chief Financial Officer, 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. For details, please refer to the ESG report in this annual report.

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 HK0.70 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 Friday, 9 June 2023. The Final Dividend will be paid on or before Monday, 26 June 2023, subject to the Shareholders' approval at the AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

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 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 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.

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 Wednesday, 7 June 2023 to Friday, 9 June 2023, 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 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.

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 2022, 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 108 to 109 of this annual report and Note 28 to the consolidated financial statements of this annual report, respectively.

As of 31 December 2022, the Company's aggregate amount of reserve available for distribution to Shareholders amounted to RMB198.4 million (2021: 174.4 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 2022, 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 180 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 during the Year 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 7.5 years.

Since the adoption of the Share Option Scheme, no share options have been granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme. At the beginning and the end of the Year and as of the date of this annual report, the Company had 140,000,000 Shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company as at the date of this annual report).

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 (resigned on 30 May 2022)

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. Ng Yew Sum, Mr. Ng Seng Leong and Mr. Martin Giles Manen, 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 16 to 21 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 27 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 27 September 2023. 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 2022, 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	336,128,550 (L)	24.01%
Mr. Law Eng Hock	Beneficial owner	60,040,050 (L)	4.29%
Mr. Lim Kai Seng	Beneficial owner	36,877,050 (L)	2.63%
Mr. Chin Sze Kee	Beneficial owner	37,091,850 (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%
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 2022, 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 2022, 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	336,128,550 (L)	24.01%
Mr. Francis Chia Mong Tet ("**Mr. Chia**") (3)	Founder of discretionary trust and beneficial owner	150,773,100 (L)	10.76%
Ms. Yau Ah Lan @ Fara Yvonne (3)	Interest of spouse	150,773,100 (L)	10.76%
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 2022, 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 16.4% and 47.9% 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 10.2% and 30.5% 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 RMB8.2 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 RMB8.3 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 2022 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.

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 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 report.

ABOUT THIS REPORT

Welcome to Channel Micron's 2022 Environmental, Social and Governance Report

This report is Channel Micron Holdings Company Limited's third environmental, social and governance ("**ESG**") report ("this **ESG report**") since 2020. It covers Channel Micron's sustainability approach, policy, and reviews its performance and strategy against ESG-related risks and targets. The ESG report is published on our website (https://channelmicron.com/ir/financial-report) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk) on an annual basis.

Reporting Foundation

- This ESG report was developed according to the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") under Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). We comply with a series of mandatory and comply or explain disclosure requirements by including an explicit statement from the board setting out the board's consideration of ESG issues, and description of our governance structure and the management of environmental and social aspects with potential risks. A materiality assessment has been conducted to prioritise our reporting on the "comply or explain" provisions based on the Environmental and Social Aspects of the Guide.

- A content index could be found in the section "The Stock Exchange's ESG Reporting Guide: Index Table" at the end of this report.

Overview of Channel Micron Holdings Company Limited

Channel Micron Holdings Company Limited ("**Channel Micron**", "**the Company**") (stock code: 02115) is a cleanroom wall and ceiling systems and cleanroom equipment provider based in the People's Republic of China (the "**PRC**"), Malaysia and the Philippines, with a proven track record of engaging in cleanroom projects in the PRC and Southeast Asia. We provide a comprehensive range of cleanroom products and services, including the development, production and installation of cleanroom wall and ceiling systems, and cleanroom equipment such as fan filter units (which filter and regulate air flow in a cleanroom), air showers, pass boxes and HEPA filters. Our products are mainly used in cleanrooms of different classes in various cleanroom standards, including the most stringent cleanroom class under the FED-STD-209E standard.

We principally generate our revenue from (i) the manufacturing and providing installation services for cleanroom wall and ceiling systems (including cleanroom doors and windows); and (ii) the manufacturing and sale of cleanroom wall and ceiling systems (without installation) and equipment (including mainly fan filter units, air showers, pass boxes, HEPA boxes and clean booths/benches which revenue generated are recognised at a point in time).

We have two well-established manufacturing facilities. Our PRC factory, with a GFA of 2,371 m^2, mainly manufactures cleanroom wall and ceiling systems for our PRC customers. Our Malaysia factory, with a GFA of 4,515 m^2, manufactures both cleanroom wall and ceiling systems and cleanroom equipment for sales in Southeast Asia and other overseas countries.

Reporting Boundary

This ESG report covers Channel Micron's sustainability approach, policy, performance, and strategy for the financial year ending 31 December 2022, which is consistent with that of the Company's annual report. Information and data were collected in relation to our cleanroom wall and ceiling systems and equipment manufacturing and sales at (i) the factory and sales office in Malaysia, (ii) the factory and sales office in China, and (iii) the sales office in the Philippines, unless otherwise stated. The inclusion of these entities and activities was determined based on their importance to the Company's business model and revenue generation.

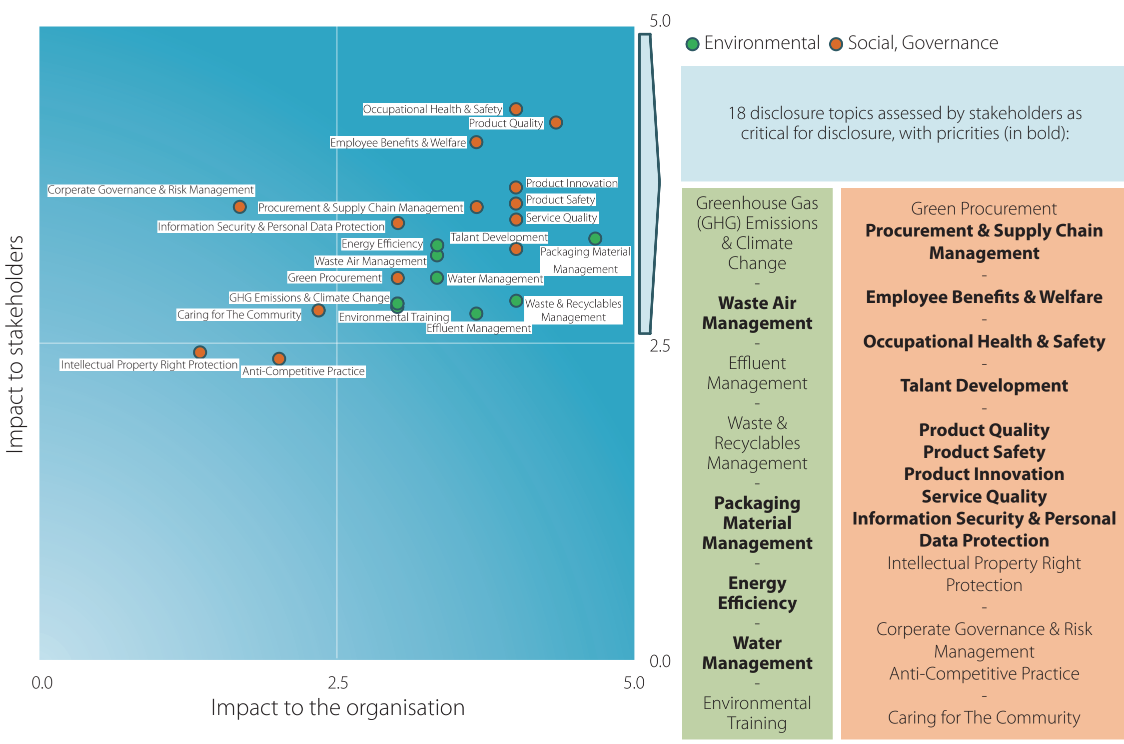
There has been no change to our operational or physical scope since the publication of our last ESG report.

Reporting Principles

According to the Guide, the following principles are underpinned:

Materiality: Material issues were decided based on a singular stakeholder engagement surveying at the end of the reporting period, involving Board and employee representatives. A materiality matrix, including an enlarged view of Quadrant I, has been included with this report to present internal and external assessment results, showing our determination of materiality and the prioritisation order of the top 18 material topics. More on the materiality assessment process and outcomes are set out in the section "Materiality assessment" of this report.

Environmental, Social & Governance (ESG) Disclosure Topics Materiality Matrix



Quantitative: Published KPIs have been established in a way to be measurable and comparable. Appendix 3: Reporting Guidance on Social KPIs and Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, and nationally recognised methodologies, served as references for all quantitative calculations.

- ***Greenhouse Gas (GHG) calculation references and methodologies*** are based on Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, latest grid emission factors published in List of Grid Emission Factors, version 10.10 by the Institute for Global Environmental Strategies, and by the PRC's National Development and Reform Commission.

Consistency: The Company has adopted the consistent methodologies to allow meaningful comparisons of its ESG data over time. Changes in methodologies and reporting scope are clarified in the notes for stakeholders' reference.

Review and Approval

The board (the "**Board**") of directors (the "**Directors**") acknowledges its responsibility for ensuring the integrity of the Report and to the best of their knowledge, this Report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Board confirms that it has reviewed and approved the Report. The Report was reviewed and approved by the Board of the Company on 30 March 2023.

STAKEHOLDER ENGAGEMENT

The Company acknowledges the significant contribution of stakeholders to the progress towards sustainable development and values their feedback and opinions to guide its management strategy on pertinent sustainability matters. To ensure transparent communication with stakeholders, the Company has implemented whistleblowing channels as an integral part of its corporate governance and stakeholder engagement framework. Furthermore, the Company has established various communication channels to facilitate effective engagement with diverse stakeholders and gain insight into their expectations regarding the Company's long-term growth trajectory.

The following table provides an overview of our ongoing communication activities with key stakeholders, to solve their concerns:

Major Stakeholders	Communication Channels
Shareholders/Investors	Shareholders' meetings, financial reports, announcements and circulars, company website, company enquiry e-mail, facsimile and phone number, etc.
Customer	Customer service hotlines, company websites, email, meetings and social media, etc.
Employees	Email, meetings, employee communications meetings, employee performance assessments, and internal network, etc.
Suppliers, Contractors	Project collaborations, company website, site visit, know your client (KYC) review, etc.
Media	Company website, financial reports, announcements, etc.

MATERIALITY ASSESSMENT

Methodology of Materiality Assessment

As we developed our ESG report, we engaged directly with stakeholders in the materiality assessment process. This helped us to identify and prioritize the issues that are most relevant to the business and have a significant impact on stakeholders. The result is illustrated in this report.

1. Identification of Material Topics

The independent consultant conducted industry research and compared our Company's performance with peers to identify a wide range of sustainability issues related to our environmental and social impacts. Subsequently, the consultant prepared a questionnaire for our stakeholders such as employees, customers, suppliers/contractors, shareholders/investors and medias.

2. Ranking of Topics and Establishment of Materiality Matrix

The stakeholders evaluated and ranked the sustainability topics based on their perceived level of significance. Using this information, a matrix was created to plot these topics. The resulting materiality matrix presents these topics based on their importance to our sustainability and society, as well as their relevance to the success and operations of our business.

3. Validation and Review

After analysing stakeholder survey result, the Board reviewed and determined the scope, topic boundaries and completeness of the prioritised material topics. In the Report, the management approach, key performance indicators and relevant data of the material topics are disclosed. For future reports, the Company will perform a regular review of the material topics by collecting stakeholder feedback and ensuring the topics align with our sustainability strategy.

The disclosure topics included in the report are identified by the results of a materiality analysis conducted at the end of the reporting period. The analysis (stakeholder engagement and materiality assessment) meets the requirements of the Stock Exchange and demonstrates the application of the four reporting principles towards the preparation of reporting content. In order to ensure consistency with the reporting structure and highlight issuers' full compliance with their "comply or explain" provision disclosure obligations, we present 22 identified topics in the table below, in association with the 12 Social and Environmental Aspects defined by the HKEx:

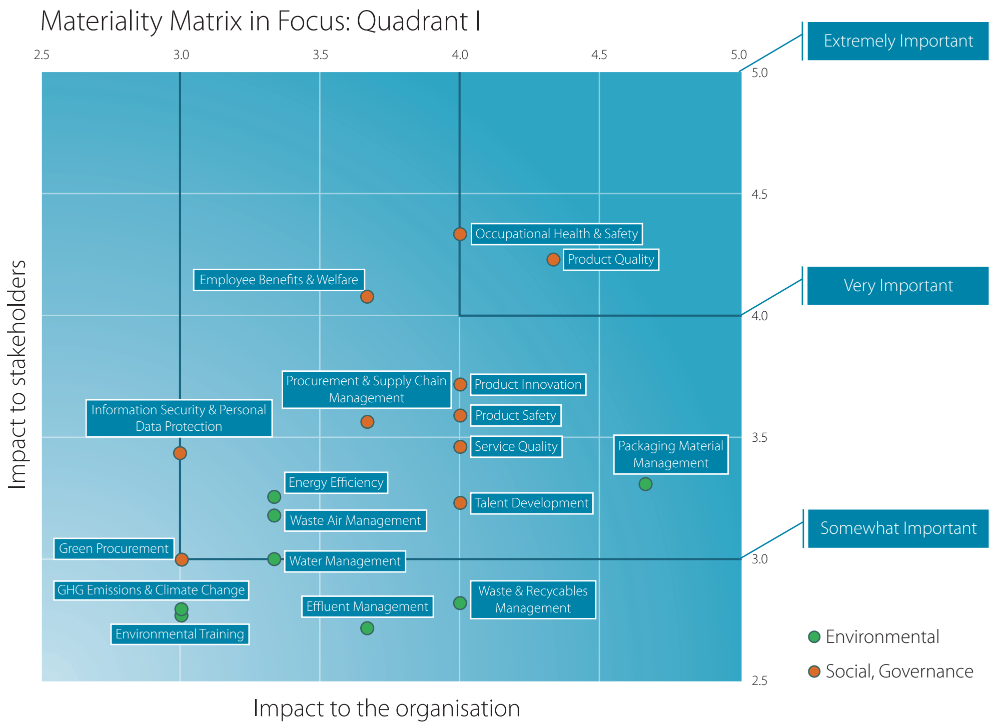
ESG Topic		HKEX Aspect	
1.	Greenhouse Gas (GHG) Emissions and Climate Change	A1	Emissions
		A4	Climate Change
2.	Waste Air Management	A1	Emissions
3.	Effluent Management	A1	Emissions
		A3	The Environment & Natural Resources
4.	Waste and Recyclables Management	A1	Emissions
		A3	Natural Resources
5.	Packaging Material Management	A2	Use of Resources
6.	Energy Efficiency	A2	Use of Resources
7.	Water Management	A2	Use of Resources
8.	Environmental Training	A	Environmental
9.	Green Procurement	B5	Supply Chain Management
10.	Employee Benefits and Welfare	B1	Employment
11.	Occupational Health & Safety	B2	Health and Safety
12.	Talent Management & Development	B3	Development and Training
13.	Procurement and Supply Chain Management	B5	Supply Chain Management
14.	Product Quality	B6	Product Responsibility
15.	Product Safety	B6	Product Responsibility
16.	Product Innovation	B6	Product Responsibility
17.	Service Quality	B6	Product Responsibility
18.	Information Security and Personal Data Protection	B6	Product Responsibility
19.	Intellectual Property Right Protection	B7	Anti-Corruption
20.	Corporate Governance and Risk Management	B6	Product Responsibility
21.	Anti-Competitive Practices	B6	Product Responsibility
22.	Caring for The Community	B8	Community Investment

Materiality Matrix and the Prioritisation of Material Disclosures

A materiality matrix graphically represents the engagement outcome. With 18 out of 22 topics placed within Quadrant I, results show that external and internal stakeholders view many topics as material to the business and critical for disclosure.

The top 18 topics by score are:

Occupational Health & Safety, Product Quality, Employee Benefits and Welfare, Procurement and Supply Chain Management, Product Safety, Product innovation, Service Quality, Packaging Material Management, Talent Development, Energy Efficiency, Waste Air Management, Information Security & Personal Data Protection, Water Management, Waste and Recyclables Management, Effluent Management, Green Procurement, GHG Emissions & Climate Change, Environmental Training.



OUR APPROACH TO SUSTAINABILITY

Sustainability Governance Overview

Board Oversight

Our Board oversees the sustainability performance of the Company and offers input on its strategy. This includes ensuring that sustainability-related issues are prioritized in our reporting by overseeing the review and approval process for our ESG report and stakeholder engagement and materiality assessment outcomes.

We have an ESG Working Group that helps the Company to conduct annual materiality assessments and collect ESG data for monitoring and reporting. It communicates with the Board at least one time per year to present the overall ESG performances of the Company, progress made against ESG-related goals and targets and gets the Boards' opinion and approval of the ESG report. We are considering establishing an ESG Committee in the near future. This Committee, chaired by a senior management member, will work under the Board's supervision and handle ESG-related matters on top of ESG reporting. The Committee will also review the effectiveness of ESG operation and report to the Board about the progress toward ESG-related performance goals, as well as provide updates on ESG developments.

The Board has evaluated climate-related risks and concluded that they do not pose a threat to our business or financial performance at this time. As a result, we do not currently plan to integrate climate-related ESG factors into our existing risk management and internal control systems.

ESG Risk Assessment

We assessed the following ESG aspects, including climate change, scoring them from extremely low to extremely high for their future risk to our business:

Risk Level	ESG Topic
Medium Risk	Green Procurement
	Talent Management & Development
Low risk	Greenhouse Gas (GHG) Emissions
	Waste and Recyclables Management
	Packaging Material Management
	Energy Efficiency
	Environmental Training
	Employee Benefits and Welfare
	Occupational Health & Safety
	Procurement and Supply Chain Management
	Corporate Governance and Risk Management
	Intellectual Property Right Protection
Extremely low risk	Climate Change
	Waste Air Management
	Effluent Management
	Water Management
	Product Quality
	Product Safety
	Product Innovation
	Service Quality
	Information Security and Personal Data Protection
	Anti-Competitive Practices
	Caring for The Community

Board Statement

The Board is pleased to present the annual ESG Report of the Company (the"**ESG Report**") for the financial year ended 31 December 2022.

Consistently implementing sustainable policies and practices has enabled the Company to alleviate supply chain tensions, improve occupational health and safety measures for employees, and resume operations quickly during the uncertainty of the global coronavirus pandemic. Additionally, this has allowed the Company to meet stronger demand for its cleanroom wall and ceiling systems in the PRC market as a result of increasing investment in the semiconductor industry due to global chip shortage.

We are dedicated to upholding our social responsibility to all our stakeholders, including employees, customers, suppliers, contractors and media. Additionally, we have made ongoing efforts to protect the environment by reducing air and greenhouse gas emissions, energy and water consumption, and waste generation, among other things.

Overall, we are content with the company's ESG performance over the past year as there have been no reported violations of laws and regulations, and there were no fatalities in the regions where the Company operates, namely PRC, the Philippines and Malaysia. We remain committed to improving our sustainability initiatives in diverse environmental and social areas.

The Board acknowledges its responsibility for ensuring the integrity of the ESG report. We are confident that this report provides a comprehensive overview of our key approaches and practices in addressing the company's material ESG aspects, as well as presenting key performance indicators ("**KPI**") data and future performance targets related to the company's ESG performance.

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

MATERIAL TOPICS

Occupational Health and Safety

Connection with the Guide:

HKEx B2 Health and Safety

Connection with United Nations Sustainable Development Goals (UN SDGs):

The Company's commitment to protecting its employees which is one of our fundamental principles. We adhere to rigorous standards and a management system to address health and safety concerns. We prioritize the promotion of training and safety measures for all staff members, regardless of their level, to ensure the safety of job sites. The senior project management team is responsible for implementing safety measures and ensuring their effectiveness in day-to-day operations.

Occupational health and safety measures

Given the diverse range of Projects we undertake, it is necessary for each Project to formulate its own Safety Plan, with oversight from the relevant management team and main contractors. The Corporate Safety Plan serves as a framework for coordinating, managing, and regulating work activities to safeguard the safety, health, and wellbeing of all personnel involved in the Project, as well as members of the public impacted by the operations. The plan also ensures that all legal and contractual obligations are adhered to.

Our Progress

Enhancing on-site inspections

To improve on-site inspections, we have set up an internal safety team that focuses on managing occupational safety matters at project sites. Our team of Safety Supervisors and Officers is accountable for carrying out routine inspections on the Project Safety Plan and evaluating the safety performance of each site. Regular safety meetings are held to report any significant findings or progress on safety monitoring, with oversight from the Project Director.

Safety training and education

We provided safety training and encouraged participation in various health and safety activities to enhance our employees' awareness and knowledge of accident prevention and handling procedures.

Safety performance

In the reporting year, the Company complied fully with relevant laws and regulations, such as the Occupational Safety and Health Act in Malaysia and the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, relating to providing a safe working environment and protecting employees from occupational hazards.

	2022	2021	2020	2019
Number and rate of work-related fatalities	**0 (0%)**	0 (0%)	0 (0%)	0 (0%)
Lost days due to work injury	**0**	0	0	0

Looking ahead, we strive to improve our safety management system. The Company will continue updating and reviewing our safety targets to strengthen the safety incentive of our frontline workers and enhance the awareness of safety in work environment. Effective safety trainings and communications will be upheld by providing more meetings and discussions on the inspections and evaluation for improvements.

Talent Management & Development

Connection with the Guide:

HKEx B3 Development and Training

Connection with UN SDGs:

The Company recognizes that its employees are crucial to its success and prosperity. In order to support their growth and development, the Company has established policies for staff training and development. These policies aim to streamline the diverse training opportunities available to staff by grouping them into the following categories:

Induction training for new employees

The Company's newly designed onboarding program is intended to assist new hires in comprehending the organization, such as its overall human resources policies, salary disbursement protocols, welfare perks, and office safety regulations. Additionally, new employees will receive annual training on the prevention of harassment, discrimination, corruption, and data security on their initial day of employment.

Internal trainings

In order to meet the training and business needs of employees, the Company has organised various internal training programs related to their work. The programs aim to promote the personal development of employees in different positions in the Company, and to help enhance and develop the skills and potentials of employees.

External trainings

The Company proactively promotes external training opportunities for its employees that align with their job requirements and the needs of the company. These opportunities may include courses that enhance employees' skills, sub-professional development programs, as well as participation in seminars and conferences. During the reporting period, total of 37 employees have attended training courses and the total training time is around 111 hours. The training statistics are as shown below:

Percentage of Employees Receiving Training[1]	2022
By Gender Category	
Male	**35.1%**
Female	**64.9%**
By Employment Category	
Senior management	**2.7%**
Middle management	**67.6%**
Supervisor	**8.1%**
General staff	**21.6%**

Average training hours of employees[2]	2022
By Gender Category	
Male	**0.3 hours**
Female	**1.3 hours**
By Employment Category	
Senior management	**0.4 hours**
Middle management	**1.0 hours**
Supervisor	**2.3 hours**
General staff	**0.2 hours**

1 Number of trained employees in sub-category / total number of trained employees × 100%

2 Total training hours of employees in sub-category / total number of employees in sub-category

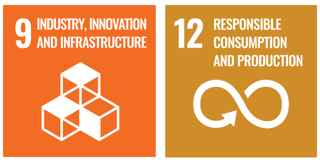
Product, Service Quality and Product Safety

Connection with the Guide:

HKEx B6 Product Responsibility

Connection with UN SDGs:

UNSDGs covered in this chapter:



Quality Management System and Safety

To maintain consistent quality and safety of services for customers, the Company has established a formal quality management system, which is certified to be in compliance with the requirements of ISO 9001:2015 and also met the most stringent certification requirements under the cleanroom industry standards ED-STD-209E Standard Class 1 and ISO 1464401 Standard Class ISO3. During the quality assurance process, we perform sampling, quality verification, surveying, data analysis and review for improvement on production stage such as designing and developing, resource purchasing, product realisation and customer communication.

Our Quality Assurance Managers bear the responsibility to monitor and supervise the Project Quality Plans for assigned projects in light of the contract, and actively promote approved quality concepts and procedure in order to ensure the quality management system are correctly adopted and implemented in our business operations. We will conduct management review with all key management staff on the continuing suitability, adequacy and effectiveness of the quality policy and objectives.

Products Return and Recall Policy

In general, upon delivery of our products, our customers may, within a defect liability period of 12 to 24 months from the date of final acceptance, inform us of any issue relating to the quality of our products delivered. If any defect or malfunction is discovered, we may first send our engineers to site to investigate the problem and then arrange for replacement of product upon justification. Typically, we offer one to two years warranty against manufacturing defect arising from normal use or as stated in contracts for our products sold. The Company values customer feedbacks as we see them as opportunities to improve our work standards. We have established structured and transparent customer feedback handling and monitoring procedures to ensure they are timely remediated and resolved. The Company maintains a list of customer feedbacks to monitor the follow-up actions taken and the resolution status for all feedbacks received. All customer feedbacks are discussed in the project management meeting.

Based on the list of customer feedbacks, there were total of zero product-related complaints received from customers and no long outstanding unresolved complaints regarding our products or service performance during our reporting period ended 31 December 2022.

	2022	2021
Percentage of total products sold subject to recalls for safety and health reasons	**0%**	0%
Number of product-related complaints received	**0**	0
Number of service-related complaints received	**0**	0

Information Security & Personal Data Protection

Connection with the Guide:

HKEx B6 Product Responsibility

Connection with Un SDGs:

The Company has a strict policy of zero tolerance towards any breach of customer privacy or disclosure of confidential information. We do not collect personal data from the customers, only business contacts and emails are recorded. We have established guidelines on collection, usage, protection and disclosure of confidential and sensitive information pertaining to our customers and projects. To ensure the safety of this information, the Company has implemented various measures such as firewall, anti-virus software, and anti-spam solutions in its Information Technology system. On the other hand, the Company pledge to protect intellectual property rights by complying with all laws and regulations in the countries where we operate, including those relating to intellectual property. Our people are legally bound to comply with global and local country statutes governing copyrights and all proprietary software license agreements.

Throughout the reporting period, the Company has not received any reports of non-compliance with privacy laws and regulations in PRC, the Philippines, and Malaysia.

Packaging Material Management

Connection with the Guide:

HKEx A2 Use of Resources

Connection with Un SDGs:

The conservation of resources is highly valued by the Company, as it not only contributes to the preservation of the ecosystem but also enhances the Company's market competitiveness by enhancing resource efficiency and reducing production costs.

	Consumption (Tonnes)[3]	
	2022	2021
Plastic packaging material used	**34.66**	25.30
Paper packaging material used	**29.5**	22.34
Total packaging material used	**64.16**	47.62

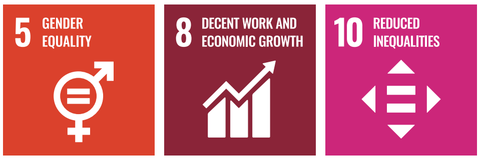
[3] Consumption units are converted from kg to tonnes as suggested by HKEX Appendix 27 Environmental, Social and Governance Reporting Guide.

Employee Benefits & Welfare

Connection with the Guide:

HKEx B1 Employment

Connection with UN SDGs:



The Company believes that employees are our greatest assets to achieve sustainable success. We promote a fair, open, inclusive and collaborate working environment for our employees.

Remuneration, Compensation and Staff Benefit

We strive to maintain high standards of health and safety practices in our project sites, manufacturing factory and corporate office in order to provide our employees with a safe environment of working and living. We are caring for our talents and is committed to providing employees with excellent compensation and benefits. The Company strictly abides by the laws and regulations relating to staff remuneration and benefits, including the Employment Act 1955, Employees' Provident Fund Act 1991 and Employees' Social Security Act 1969 in Malaysia, the Labour Law of the People's Republic of China and the Labour Code of the Philippines and other applicable laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The laws and regulations ensure employees to receive basic remuneration and benefits, including salaries, holidays, allowances, etc., and to enter into and terminate employment contracts in a fair and equitable manner. The employment contracts signed between employees and the Company stipulate working hours, holidays, termination of contract, fringe benefits and leave entitlement consistent with legal and regulatory requirements. All remuneration and compensation are consistent with legal and regulatory requirements.

The Company also totally believes in the importance of work-life balance as it links to productivity and well-being. Consequently, the Company has always been meticulous about the production schedule to avoid overtime work and also reviews the workflow in the matter of overtime work needed. We prioritize work-life balance and do not encourage employees to work overtime. Our staff typically work day-shifts. However, if overtime work is necessary, we handle matters of overtime work and compensation in accordance with relevant labour legislation and our internal policies. . All employees are entitled to public or statutory holidays each year, as well as reasonable working hours and rest periods. In addition to those holidays, employees are entitled to annual leave, sick leave and compensation leave etc.

Recruitment and Dismissal

The Company is dedicated to using fair and performance-based methods to recruit talented individuals. Through our rigorous and transparent hiring procedures, we evaluate applicants based on their experience, attitude, and potential. We value the skills and knowledge of senior staff, as well as the energy and flexibility of younger candidates.

We strongly condemn unfair and unjust termination and strictly prohibit it within the Company. We only terminate employees when there is evidence of criminal misconduct, severe misbehaviour, unethical or corrupt practices, and similar violations. Employees are dismissed based only on reasonable and legitimate reasons and are provided with notification of the termination of the employment contract in writing.

Equal Opportunity, Diversity and Anti-discrimination

The Company is committed to fostering a diverse and inclusive working culture, which we believe enhances growth and development. To this end, we ensure that our recruitment, promotion, and bonus practices are unbiased, irrespective of employees' race, age, gender, sexual orientation, religion, and other factors.

Besides allowing employees to observe religious or national holidays that aren't included in our Company's official schedule, we also ensure that employees feel safe to report any incidents of concern through open door practices and confidential reporting channels. We are committed to prevent and resolve any kind of harassment against our employees, including sexual harassment, to create an inclusive environment where their rights are respected. We take every complaint, grievance, and concern raised by our employees seriously and respond promptly. Our policy is to have zero tolerance for any form of physical or verbal discrimination, abuse, or sexual harassment against our employees.

Employee turnover rate and headcount during the Reporting Period as follow:

	Number of people		Turnover rate (%)[4]	
	2022	2021	**2022**	2021
Total	**205**	176	**22.4**	22.7
Gender				
Male	**151**	130	**19.2**	23.1
Female	**54**	46	**31.5**	21.7
Employment type				
Full-time	**205**	176	**22.4**	22.7
Part-time	**0**	0	**0**	–
Age group				
18–24	**13**	20	**61.5**	60.0
25–34	**69**	45	**31.9**	35.6
35–44	**62**	55	**14.5**	14.5
45–54	**44**	41	**13.6**	9.8
55–64	**16**	15	**6.3**	0.0
Geographical region				
Malaysia	**85**	82	**17.6**	23.2
PRC	**102**	75	**30.4**	25.3
The Philippines	**18**	19	**0.0**	10.5
Employee level				
Senior management	**8**	8	**N/A**	N/A
Middle management	**75**	72	**N/A**	N/A
Supervisor	**4**	4	**N/A**	N/A
General Staff	**118**	92	**N/A**	N/A

[4] Turnover rate = Number of employees resigned in sub-category / total number of employees in sub-category x 100%

Procurement & Supply Chain Management

Connection with the Guide:

HKEx B5 Supply Chain Management

Connection with UN SDGs:

The Company requires its suppliers to meet specific standards regarding environmental protection, occupational safety and health, labour standards, and business ethics. The Company rates and evaluates all suppliers through annual review with consideration in social and environmental risk. The Company links suppliers' performance in environmental and social responsibility with their business partnership opportunities, thereby effectively encouraging suppliers to improve their performance in sustainability. We assess suppliers and subcontractors annually to understand their business conditions and performance on quality control with an aim to establish long-term cooperation relationship with outstanding suppliers and subcontractors.

Moreover, the Company recognizes the global trend of using eco-friendly materials and has communicated this message to its suppliers. By fostering better communication and collaboration with suppliers, the Company aims to improve its capacity to provide environmentally sustainable products. Below shows the location distribution of suppliers the Company engaged with during the Year:

Number of Suppliers by Geographical Region

	2022	2021
Malaysia	**248**	266
PRC	**42**	162
The Philippines	**35**	35

Waste and Recyclables Management

Connection with the Guide:

HKEx A1 Emissions

Connection with UN SDGs:

Hazardous Waste Management

During our reporting period, the Company did not generate material hazardous wastes according to the list of hazardous wastes defined under the National Hazardous Waste list of PRC, Republic Act 6969 of the Philippines and the Environmental Quality Act of 1974 in Malaysia.

Non-hazardous Waste Management

The production process does not produce non-hazardous waste that is material enough to be reported.

At the corporate office, we encourage green measures to reduce the usage of papers, such as double-sided printing, photocopying, printing electronic correspondences only when necessary and recycling one-sided printed paper. Furthermore, we are implementing system and electronic filings to reduce the need for paperwork.

Water Management

Connection with the Guide:

HKEx A2 Use of Resources

Connection with UN SDGs:

Water consumption is essential in the Company's business activities of cleanroom wall and ceiling systems production and we are committed to water conservation as a socially responsible corporation. During the reporting period, there was no issue in sourcing water that is fit for purpose. The Company also targets to control its water consumption by raising awareness among its employee through various means.

The Company has adopted the following measures to encourage good practice of water saving:

1. Placement of water saving posters on the project sites, manufacturing factory, dormitory and office premises

2. Provision of training and awareness programs to educate employees on the importance of water conservation and how they can contribute to saving water. Hold workshops, seminars, and training sessions to raise awareness about water-saving techniques.

3. Assurance of no leaking faucets and reporting for repair as soon as leakages are identified.

During our reporting period, the Company's water consumption statistics are as shown below:

Water Consumption

	2022	2021	2020
Water consumption (m^3)	**8,745.0**	10,558.3	8,096.0
Intensity (m^3 per million RMB revenue)[5] [6]	**0.019**	0.039	0.039

5 The Company revenue in million RMB of the reported boundaries were approximately 462,907, 267,549 and 203,629 in 2022, 2021 and 2020 respectively.

6 The intensity of 2022,2021 and 2020 are restated from square metre of product production to revenue of the year to improve data comparability.

Energy Efficiency

Connection with the Guide:

HKEx A2 Use of Resources

Connection with UN SDGs:

The Company attaches great importance to the conservation of resources, not only does it benefit the ecosystem, but also boosts the Company's competitiveness in the market by reducing production costs through improvement in resource efficiency.

The Company deems it essential to uphold environmental responsibility not only during project implementation but also in daily operations. Hence, requiring employees to follow the initiatives on resource-saving and the use of certified energy-efficient appliances and equipment to mitigate the risks associated with climate change. Employees are expected to activate power-saving modes and maintain air-conditioned room temperatures between 20°C and 25.5°C.

The Company actively invests in adding or replacing equipment and retrofitting existing facilities to realise energy efficiency projects. The Company targets to curb electricity consumption by prioritising the adoption of energy-efficient equipment and lighting. As a result of the initiatives, the Company was able to control the energy consumption for production well within 100 kWh per square metre of product.

The Company's business mainly uses electricity as the source of energy. The electricity consumption was as follow:

Energy Consumption

	2022	2021	2020
Indirect consumption (electricity) ('000 kWh)	**334.9**	312.3	300.0
Intensity (kWh per million RMB revenue)[7] [8]	**0.72**	1.17	1.47

7 The Company revenue in million RMB of the reported boundaries were approximately 462,907, 267,549 and 203,629 in 2022, 2021 and 2020 respectively.

8 The intensity of 2022,2021 and 2020 are restated from square metre of product production to revenue of the year to improve data comparability.

STANDARD ESG DISCLOSURES

A. ENVIRONMENTAL

Environmental protection is always our responsibility. We adhere to protect the earth and ensure the concept of environmental sustainability is instilled in our business operations. We aim to create a green culture within our value chain so as to reduce the Company's emissions and produce more positive impact to the environment.

Emissions, Waste Air and Effluent Management

Connection with the Guide:

HKEx A1 Emissions

Connection with UN SDGs:

In response to the global trend of emissions reduction and the need for low carbon economy, the Company supports clean production through the application of efficient production technologies and the implementation of new management approaches.

The Company targets to curb greenhouse gas emissions by prioritising the adoption of energy-efficient equipment and lighting arrangements to reduce the indirect greenhouse gas emission from electricity consumption. Throughout the reporting period, the Company abided by relevant laws and regulations, including Malaysia's Environment Quality Act and associated Regulations, as well as China's Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. These regulations had a notable effect on the Company concerning air and greenhouse gas emissions, as well as the release of waste into water and land.

GHG Emissions	Quantity (tCO2-eq)		
	2022	2021	2020
Scope 1 Direct Emission[9]	**0**	0	0
Scope 2 Energy Indirect Emission[10,11]	**210.4**	217.7	208
Total	**210.4**	217.7	208

9 Scope 1 means the direct GHG emissions occurring from sources that are controlled or owned by an organization. During 2022, the Company does not have major emissions sources of Scope 1.

10 Scope 2 means the indirect GHG emissions occurring from the purchased energy by an organization. During 2022, electricity consumption is the core emissions source of Scope 2.

11 The calculation is based on the Reporting guidance on Environmental KPIs issued by HKEX, the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Sixth Assessment Report of IPCC, 2019 Electrical Emission Factor of the Average Emission Factor of National Power Grid (《2019年全國電網平均排放因子中的電力排放因子》and the latest emission factors for grid electricity that issued by Institute for Global Environmental Strategies

Climate Change

Connection with the Guide:

HKEx A4 Climate Change

Connection with UN SDGs:

The Company places a high level of importance on the environmental impact of its business operations and natural resource usage. We are dedicated to protecting the environment and mitigating the effects of climate change. Along with adhering to relevant regulations and globally accepted standards of conduct that prioritize climate action, the Company has integrated climate change principles into our internal management and project implementation processes.

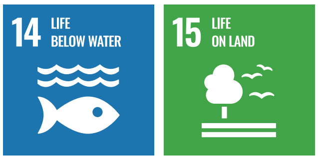
To minimize our environmental impact, the Company continually monitors how our business operations could potentially affect the environment. We closely monitor greenhouse gas emissions during operations and are committed to finding ways to reduce environmental impact at the source. Meanwhile, our management evaluates climate-related risks across our operations and value chains, recognizing the impact of climate change on our business. The increasing occurrence of natural hazards and extreme weather conditions, such as floods, typhoons, and strong winds in South and Southeast Asia, could affect our operations and global supply chain. The Group has established contingent plans to deal with extreme weather. The Group would rearrange manpower, take precautionary measures to ensure staff safety in the event of adverse weather conditions such as typhoon, rainstorm and heatwave. In order to avoid any physical damage to property, the Group would also refer to the guidance of local authority and implement corresponding measures. Additionally, the rising demand for low carbon products and operations, as well as stricter requirements, pose potential risks to our business transition. We are collaborating with our customers and business partners to explore innovative solutions that can transform these risks into opportunities and identify other climate-related opportunities to promote sustainability in our business.

The Environment and Natural Resources

Connection with the Guide:

HKEx A3 The Environment and Natural Resources

Connection with UN SDGs:



The Company acknowledges that working together with different stakeholders is one of the key factors to achieve sustainable development. The Company adopts various measures, such as prioritising the adoption of energy-efficient equipment and regularly evaluating and streamlining production processes, to reduce emissions and improve efficiency in resources utilisation.

The Company also promotes environmental awareness among our employees and encourage them to work in an environmentally responsible manner.

In the reporting period, the Company had no significant impact of activities on the environment and natural resources.

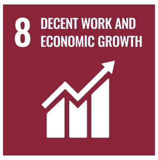
B. SOCIAL

Labour Standards

Connection with the Guide:

HKEx B4 Labour Standard

Connection with UN SDGs:



The Company adopts zero-tolerance attitude towards child labour and coerced labour for its business operations in PRC, the Philippines and Malaysia.

The Company forbids forced labour and child labour in any form and takes its prevention very seriously. The Company conducts a thorough check of various supporting documents relating to the applicant's age before employing a candidate and adopts an effective procedure to verify the age to ensure that the applicant has reached the minimum statutory age for work. At the same time, the Company prohibits any form of forced labour or work. It ensures that all employees provide labour or work on a willing basis and forbids the use of any form of forced or bonded labour, punishment, imprisonment, and threats of violence.

The Company conducts an annual review on child and forced labour to ensure the operation is free from such malpractices and to initiate systematic improvement in case such malpractice is found.

In the reporting period, the Company complied with relevant laws and regulations relating to preventing child and forced labour.

Corporate Governance and Risk Management

Connection with the Guide:

HKEx B7 Anti-corruption

Connection with UN SDGs:

The Company is dedicated to preserving business integrity. The Company sets out the relevant requirements in the employees' code of conduct to guide the employees with ways to deal with conflicts of interest.

We established a fraud risk assessment and whistleblowing policy in 2019 to facilitate the development of controls that will aid in the detection and prevention of fraud against the Company, and encourage employees, customers and suppliers — our key stakeholders — or any other parties with a business relationship with the Company, who have concerns about any suspected misconduct or malpractice, to come forward and voice their concerns. Our Audit Committee assumes overall accountability for monitoring and reviewing the operation of the policy and any recommendation for action resulting from investigation into complaints, while delegating day to day responsibilities for oversight and implementation to the Risk Management Committee. The Risk Management Committee comprises of the Group Chairman and senior management officials.

In the reporting period, 2.7%, 67.6%, 8.1% and 21.6% of our senior management, middle management, supervisor and general staff received training to improve anti-corruption culture.

In the reporting period, the Company was in compliance with relevant laws and regulations, such as the Anti-Corruption Commission Act in Malaysia, and the Anti-unfair Competition Law of the People's Republic of China, relating to bribery, extortion, fraud and money laundering.

	2022	2021
Number of concluded legal cases regarding corrupt practices brought against the issuer	**0**	0

Caring for the Community

Connection with the Guide:

HKEx B8 Community Investment

Connection with UN SDGs:

The Company integrates community investment with the operations to earn the trust of relevant stakeholders. The Company is willing to explore collaboration with reputable organizations to support community programmes which meet the needs and expectations from community and encourages employees to participate into communal programmes.

During the reporting period, the company focused on contributing to the community and donated RMB10,000 to the Shanghai government to support their community development plan.

THE STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX TABLE

HKSE ESG Reporting Guide	Description	Chapter
A. ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Waste and Recyclable Management • Emissions, Waste air and Effluent Management
KPI A1.1	The types of emissions and respective emissions data.	The production process does not involve emissions that are material enough to be governed by local authorities. The Company also utilises subcontracted transportation service and does not operate a fleet that is material enough to be reported.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste and Recyclable Management • Emissions, Waste air and Effluent Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The production process does not produce hazardous waste that is material enough to be reported.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The production process does not produce non-hazardous waste that is material enough to be reported.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Information is not to be disclosed due to immateriality to the business
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Information is not to be disclosed due to immateriality to the business

HKSE ESG Reporting Guide	Description	Chapter
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	• Energy efficiency • Water management • Packaging material management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Energy efficiency
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Information is not to be disclosed due to immateriality to the business
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material management
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	There was no significant impact in the reporting period.
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	• Climate change • ESG risk assessment

HKSE ESG Reporting Guide	Description	Chapter
B. SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee benefits and welfare
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee benefits and welfare
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee benefits and welfare
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Occupational health and safety
KPI B2.1	Number and rate of work-related fatalities.	Occupational health and safety
KPI B2.2	Lost days due to work injury.	Occupational health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational health and safety

HKSE ESG Reporting Guide	Description	Chapter
Aspect B3: Developing and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent management and development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent management and development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent management and development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No violations were discovered in the reporting period.
OPERATING PRACTICES		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Procurement & supply chain management
KPI B5.1	Number of suppliers by geographical region.	Procurement & supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Procurement & supply chain management

HKSE ESG Reporting Guide	Description	Chapter
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product, service quality and product safety
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product, service quality and product safety
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product, service quality and product safety
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Information security & personal data protection
KPI B6.4	Description of quality assurance process and recall procedures.	Product, service quality and product safety
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information security & personal data protection

HKSE ESG Reporting Guide	Description	Chapter
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate governance & Risk management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There was no concluded legal case regarding corrupt practices in the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate governance & Risk management
COMMUNITY		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring for the community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring for the community
KBI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring for the community

INDEPENDENT AUDITOR'S REPORT

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 104 to 179, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 the 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 customer-certified progress reports. As disclosed in note 5 to the consolidated financial statements, the revenue recognised from cleanroom projects was RMB257,987,000, which represented 56% of the Group's total revenues.	Our procedures in relation to the revenue recognition from cleanroom projects included the following: • obtained an understanding of 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 ("ECL") assessment of trade receivables and contract assets	
We identified the ECL assessment 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 recognised 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 RMB61,029,000 and RMB104,620,000 as at 31 December 2022, respectively. The Group recognised net reversal of ECL allowance of RMB3,265,000 and RMB445,000 on trade receivables and contract assets, respectively, for the current year. As at 31 December 2022, the Group's ECL on trade receivables and contract assets amounted to RMB4,978,000 and RMB6,600,000, respectively.	Our procedures in relation to the ECL assessment of trade receivables and contract assets included the following: • obtained an understanding of the Group's 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 model used by management in calculating the ECL allowance for trade receivables and contract assets with the assistance from our valuation experts; • obtained and tested the ageing of trade receivables and contract assets which are assessed based on provision matrix, reviewed 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; • assessed to the appropriateness of classification in the provision matrix on a sample basis and the reasonableness of the ECL rates, taking into consideration of historical loss rates and forward-looking information with the assistance from our valuation experts; and • checked, on a sample basis, the accuracy of the ECL allowance of trade receivables and contract assets in accordance with the ECL rates applied by the Group.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 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 the 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 SAR

30 March 2023

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Revenue	5	**462,907**	267,549
Cost of sales		**(313,310)**	(172,242)
Gross profit		**149,597**	95,307
Other income	6	**5,311**	2,577
Other gains and losses	7	**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	8	**(2,730)**	(697)
Profit before income tax	9	**93,677**	43,324
Income tax expense	11	**(18,267)**	(8,630)
Profit for the year		**75,410**	34,694
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
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		**(242)**	101
		767	(348)
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**6,501**	(8,610)
Other comprehensive income/(expense) for the year, net of tax		**7,268**	(8,958)
Total comprehensive income for the year		**82,678**	25,736

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**74,955**	34,634
Non-controlling interests		**455**	60
		75,410	34,694
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**82,223**	25,676
Non-controlling interests		**455**	60
		82,678	25,736
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	14	**5.35**	2.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**75,240**	73,455
Deferred tax assets	25	**4,606**	6,481
		79,846	79,936
Current assets			
Inventories	17	**40,484**	32,012
Trade and other receivables	18	**75,874**	94,652
Contract assets	19	**104,620**	74,253
Amounts due from related parties	20	**374**	190
Income tax recoverable		**4,222**	717
Pledged bank deposits	21	**1,552**	1,624
Cash and cash equivalents	21	**160,084**	110,536
		387,210	313,984
Current liabilities			
Trade and other payables	22	**94,860**	79,569
Contract liabilities	19	**5,255**	14,923
Amounts due to related parties	20	**73**	64
Lease liabilities	23	**2,708**	1,985
Borrowings	24	**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

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	23	**1,033**	765
Deferred tax liabilities	25	**2,727**	2,389
		3,760	3,154
Net assets		**292,005**	225,857
EQUITY			
Share capital	26	**12,152**	12,152
Reserves	27	**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

Ng Yew Sum
Director

Chin Sze Kee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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

For the year ended 31 December 2022

	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 2022	12,152	64,379	38,346	9,832	(8,718)	12,197	97,052	225,240	617	225,857
Dividend paid (note 13)	–	–	–	–	–	–	(16,595)	(16,595)	–	(16,595)
Transfer to statutory reserve	–	–	–	4,589	–	–	(4,589)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	65	65
Transactions with equity holders	–	–	–	4,589	–	–	(21,184)	(16,595)	65	(16,530)
Profit for the year	–	–	–	–	–	–	74,955	74,955	455	75,410
Other comprehensive income/ (expense) for the year:										
Surplus on revaluation of freehold land and building held for own use	–	–	–	–	–	1,009	–	1,009	–	1,009
Deferred tax arising from revaluation of freehold land and building	–	–	–	–	–	(242)	–	(242)	–	(242)
Exchange differences on translation of foreign operations	–	–	–	–	6,501	–	–	6,501	–	6,501
Total comprehensive income for the year	–	–	–	–	6,501	767	74,955	82,223	455	82,678
As at 31 December 2022	12,152	64,379	38,346	14,421	(2,217)	12,964	150,823	290,868	1,137	292,005

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit before income tax		**93,677**	43,324
Adjustments for:			
Depreciation of property, plant and equipment	9	**3,955**	3,314
(Gain)/Loss on disposal of property, plant and equipment, net	7	**(316)**	18
Write-off of property, plant and equipment	9	**29**	–
Deficit on revaluation of freehold land	9	**2,201**	–
Gain on lease modification	7	**–**	(30)
Gain on lease termination	7	**(8)**	–
(Reversal of)/Provision for ECL allowance of trade receivables, net	9	**(3,265)**	2,140
(Reversal of)/Provision for ECL allowance of contract assets, net	9	**(445)**	4,313
Provision for ECL allowance of other receivables	9	**13**	–
Write-down of inventories to net realisable value, net	9	**469**	1,197
Unrealised exchange losses/(gains), net		**2,596**	(1,720)
Interest expense	8	**2,730**	697
Interest income	6	**(1,133)**	(267)
Operating profit before working capital changes		**100,503**	52,986
Increase in inventories		**(8,169)**	(13,397)
Decrease/(Increase) in trade and other receivables		**22,730**	(29,416)
Increase in contract assets		**(29,903)**	(23,421)
Increase in trade and other payables		**14,643**	19,747
(Decrease)/Increase in contract liabilities		**(9,794)**	8,943
Cash generated from operations		**90,010**	15,442
Income taxes paid		**(17,951)**	(6,306)
Net cash generated from operating activities		**72,059**	9,136
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,215)**	(45,431)
Proceeds from disposal of property, plant and equipment		**480**	–
Purchase of bank wealth management products		**(139,500)**	(19,000)
Proceeds from disposal of bank wealth management products		**139,500**	19,000
Change in pledged bank deposits		**87**	319
Interest received		**1,133**	267
Net cash generated from/(used in) investing activities		**485**	(44,845)

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		**65**	–
Change in amounts due from related parties		**(166)**	(193)
Change in amounts due to related parties		**8**	40
Proceeds from borrowings	31	**18,000**	54,136
Repayment of borrowings	31	**(20,766)**	(13,480)
Interest paid	8	**(2,730)**	(697)
Repayment of capital element of leases	31	**(2,695)**	(2,124)
Dividends paid	13	**(16,595)**	(7,438)
Net cash (used in)/generated from financing activities		**(24,879)**	30,244
Net increase/(decrease) in cash and cash equivalents		**47,665**	(5,465)
Cash and cash equivalents at the beginning of the year		**110,259**	118,683
Effect of foreign exchange rate changes		**2,160**	(2,959)
Cash and cash equivalents at the end of the year		**160,084**	110,259
Analysis of cash and cash equivalents:			
Cash and bank balances and short-term bank deposits	21	**160,084**	110,536
Bank overdrafts	24	**–**	(277)
		160,084	110,259

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").

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 principal activities of its subsidiaries are set out in note 16.

In these consolidated financial statements, certain English name of the companies referred herein represent 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 2022 were approved for issue by the board of directors on 30 March 2023.

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 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.

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 measurement bases are fully described in the accounting policies below.

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 sales of intra-group asset 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.

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

2.2 Basis of consolidation *(Continued)*

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.

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 is adjusted to reflect changes in consideration arising from contingent consideration amendments. 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 the 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). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

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 in note 2.11) 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, including costs of testing whether the related assets are functioning properly. They are subsequently 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 decreases 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.

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%

Accounting policy for depreciation of right-of-use assets is set out in note 2.11.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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".

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

2.6 Financial instruments *(Continued)*

Financial liabilities *(Continued)*

Classification and measurement of financial liabilities (Continued)

Borrowings

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.

Trade and other payables and amounts due to related parties

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.

Lease liabilities

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

2.7 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use 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").

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

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

"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.

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, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of 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.

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)*

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 regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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 (i) 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); or (ii) the financial asset is 90 days past due.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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

2.11 Leases

Definition of a lease and the Group as a lessee

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 assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contain 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.

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.

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

2.11 Leases *(Continued)*

Definition of a lease and the Group as a lessee *(Continued)*

Measurement and recognition of leases as a lessee (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.14 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.

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

2.14 Revenue recognition *(Continued)*

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.

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.

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

2.14 Revenue recognition *(Continued)*

Cleanroom projects *(Continued)*

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.

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 detects and does not provide extended warranties in its sales at 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.16 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 (i) when the existing temporary differences will reverse and (ii) 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 following 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 incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of 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.

After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

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 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.

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[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.

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 customer-certified progress reports.

Estimation of fair value of freehold land and building

As at 31 December 2022, the aggregate carrying amount of the Group's freehold land and building carried at revalued amount was RMB65,972,000 (2021: RMB65,482,000), 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. Whilst the Group considers valuations of the Group's freehold land and building are the best estimates, the rising market interest rates and high inflation have resulted in greater market volatility, which have led to higher degree of uncertainties in respect of the valuations in the current year.

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 2022, the carrying amount of inventories amounted to RMB40,484,000, net of provision for inventories of RMB2,060,000 (2021: RMB32,012,000, net of provision for inventories of RMB1,537,000).

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.

The ECL allowance is sensitive to changes in estimates. When the actual future cash flows are different from expected, such difference will impact the carrying amounts 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.

As at 31 December 2022, the aggregate carrying amount of trade and other receivables, contract assets and other financial assets measured at amortised costs amounted to RMB334,531,000, net of ECL allowance of RMB11,623,000 (2021: RMB266,526,000, net of ECL allowance of RMB15,251,000).

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

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:

	2022 **RMB'000**	2021 RMB'000
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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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.

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 2022 is as follows:

	Cleanroom wall and ceiling systems RMB'000	**Cleanroom equipment** RMB'000	**Others** RMB'000	**Total** RMB'000
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	**136,527**	**2,278**	**10,792**	**149,597**
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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

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 **RMB'000**	2021 RMB'000
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 **RMB'000**	2021 RMB'000
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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

5.2 Segment information *(Continued)*

Information about major customers

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

	2022 RMB'000	2021 RMB'000
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.

6. OTHER INCOME

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

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

	2022 RMB'000	2021 RMB'000
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
	4,557	1,302

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest charges on:		
— bank loans	**2,580**	606
— lease liabilities	**150**	91
	2,730	697

9. PROFIT BEFORE INCOME TAX

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

	2022 RMB'000	2021 RMB'000
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 for ECL allowance of trade receivables, net	(3,265)	2,140
(Reversal of)/Provision for ECL allowance of contract assets, net	(445)	4,313
Provision for 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)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	35,001	28,060
Retirement scheme contributions (note)	3,330	2,715
	38,331	30,775

Note: As at 31 December 2022 and 2021, 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% (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.

11. INCOME TAX EXPENSE *(Continued)*

	2022 RMB'000	2021 RMB'000
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
	16,205	11,827
Deferred tax		
— Current year (note 25)	**2,272**	(3,076)
— Effect on change in tax rate (note 25)	**(302)**	–
— Under/(Over)-provision in respect of prior years (note 25)	**92**	(121)
	2,062	(3,197)
Income tax expense	**18,267**	8,630

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

	2022 RMB'000	2021 RMB'000
Profit before income tax	**93,677**	43,324
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**17,635**	7,470
Tax effects on:		
— non-taxable income	**(1,277)**	(396)
— non-deductible expenses	**4,633**	3,514
— Super Deduction of research and development expenses	**(1,770)**	(1,197)
— deferred tax balances resulting from change in tax rate	**(302)**	–
— Over-provision in respect of prior years	**(652)**	(761)
Income tax expense	**18,267**	8,630

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

12.1 Directors' emoluments

	Fees RMB'000	Salaries, allowances and benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2022					
Executive directors					
Ng Yew Sum	**150**	**915**	**1,600**	**241**	**2,906**
Law Eng Hock	**100**	**914**	**960**	**5**	**1,979**
Lim Kai Seng	**100**	**441**	**841**	**154**	**1,536**
Chin Sze Kee	**100**	**497**	**841**	**156**	**1,594**
Yap Chui Fan (note)	**42**	**229**	**–**	**22**	**293**
Non-executive directors					
Ng Seng Leong	**91**	**–**	**–**	**–**	**91**
Wu Chun Sing	**91**	**–**	**–**	**–**	**91**
Martin Giles Manen	**113**	**–**	**–**	**–**	**113**
	787	**2,996**	**4,242**	**578**	**8,603**
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 (note)	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

Note: Resigned on 30 May 2022.

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

12.1 Directors' emoluments *(Continued)*

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 2022 and 2021. 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 2022 include four (2021: five) directors whose emoluments are disclosed in note 12.1. The emoluments of the remaining one (2021: Nil) individual are set out below.

	2022	2021
	RMB'000	RMB'000
Salaries, allowances and other benefits	**396**	–
Discretionary bonuses	**468**	–
	864	–

The emolument fell within the following band:

	Number of individual	
	2022	2021
Emolument band		
Nil — HK$1,000,000	**1**	–

During the years ended 31 December 2022 and 2021, 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 2022 and 2021.

13. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends to equity holders	**16,595**	7,438

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.

14. EARNINGS PER SHARE

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

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 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 and 1 January 2022								
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)
Net carrying amount	3,024	57,091	8,391	581	104	179	4,085	73,455
Year ended 31 December 2022								
Opening net carrying amount	**3,024**	**57,091**	**8,391**	**581**	**104**	**179**	**4,085**	**73,455**
Additions	**3,413**	**–**	**–**	**305**	**7**	**266**	**637**	**4,628**
Disposals	**–**	**–**	**–**	**(2)**	**–**	**(162)**	**–**	**(164)**
Written off	**–**	**–**	**–**	**(29)**	**–**	**–**	**–**	**(29)**
Termination of lease	**(1,003)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,003)**
Modification of lease	**1,536**	**–**	**–**	**–**	**–**	**–**	**–**	**1,536**
Revaluation (deficit)/surplus	**–**	**(1,406)**	**214**	**–**	**–**	**–**	**–**	**(1,192)**
Depreciation	**(2,743)**	**–**	**(168)**	**(177)**	**(36)**	**(224)**	**(607)**	**(3,955)**
Exchange realignment	**24**	**1,606**	**244**	**7**	**2**	**1**	**80**	**1,964**
Closing net carrying amount	**4,251**	**57,291**	**8,681**	**685**	**77**	**60**	**4,195**	**75,240**
As at 31 December 2022								
Cost	**15,149**	**–**	**–**	**3,975**	**1,534**	**1,686**	**10,307**	**32,651**
Valuation	**–**	**57,291**	**8,681**	**–**	**–**	**–**	**–**	**65,972**
Accumulated depreciation	**(10,898)**	**–**	**–**	**(3,290)**	**(1,457)**	**(1,626)**	**(6,112)**	**(23,383)**
Closing net carrying amount	**4,251**	**57,291**	**8,681**	**685**	**77**	**60**	**4,195**	**75,240**

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 2021	2,024	677	529	3,230
Additions	–	116	–	116
Termination of lease	–	(30)	–	(30)
Modification of lease	1,731	195	–	1,926
Depreciation	(1,613)	(434)	(94)	(2,141)
Exchange realignment	(59)	(1)	(17)	(77)
Net carrying amount as at 31 December 2021 and 1 January 2022	2,083	523	418	3,024
Additions	**2,051**	**468**	**894**	**3,413**
Termination of lease	**(512)**	**(491)**	**–**	**(1,003)**
Modification of lease	**1,334**	**202**	**–**	**1,536**
Depreciation	**(2,022)**	**(427)**	**(294)**	**(2,743)**
Exchange realignment	**2**	**–**	**22**	**24**
Net carrying amount as at 31 December 2022	**2,936**	**275**	**1,040**	**4,251**

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 asset leased	Range of remaining term	Number of lease with extension option	Number of lease with option to purchase	Number of lease with termination option
As at 31 December 2022					
Plant	**2**	**0* year**	**2**	**–**	**2**
Office premises and staff quarters	**3**	**0* to 2 years**	**2**	**–**	**3**
Motor vehicles	**3**	**2 to 6 years**	**–**	**3**	**3**
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

* The figure represented remaining term less than 1 year.

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

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

	2022 RMB'000	2021 RMB'000
Cost	**51,388**	52,146
Accumulated depreciation	**(2,657)**	(2,484)
Net carrying amount	**48,731**	49,662

Bank loans are secured by the legal charges over the freehold land and building with the aggregate carrying amount of RMB65,972,000 (2021: RMB65,482,000) (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 2022				
Recurring fair value measurement				
Freehold land outside Hong Kong	**–**	**57,291**	**–**	**57,291**
Building outside Hong Kong	**–**	**–**	**8,681**	**8,681**
	–	**57,291**	**8,681**	**65,972**
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

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2022 (2021: Nil).

The Group's freehold land and building were revalued as at 31 December 2022 and 2021 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 2022	2021
Level 2				
Freehold land outside Hong Kong (note a)	Market comparison approach	Price per square feet	**Malaysian Ringgit ("RM") 140 to RM195 per square feet**	RM155 to RM197 per square feet
Level 3				
Building outside Hong Kong (note b)	Cost approach	Replacement costs per square feet	**RM105 to RM190 per square feet**	RM90 to RM185 per square feet
		Depreciation rates	**24% to 31%**	22% to 30%

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 depend 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:

	2022 RMB'000	2021 RMB'000
Level 2		
Freehold land outside Hong Kong		
Fair value at the beginning of the year	**57,091**	15,467
Addition	**–**	43,960
Deficit on revaluation recognised in profit or loss	**(2,201)**	–
Surplus/(Deficit) on revaluation recognised in other comprehensive income (note)	**795**	(467)
Exchange realignment	**1,606**	(1,869)
Net carrying amount	**57,291**	57,091
Level 3		
Building outside Hong Kong		
Fair value at the beginning of the year	**8,391**	9,120
Depreciation	**(168)**	(174)
Surplus on revaluation recognised in other comprehensive income (note)	**214**	18
Exchange realignment	**244**	(573)
Net carrying amount	**8,681**	8,391

Note: Surplus/(Deficit) 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 2022 and 2021 are as follows:

Company name	Place of incorporation/ establishment/ operation	Registered/ Issued and fully paid up capital	Equity interest attributable to the Group 2022	2021	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	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	The PRC	RMB2,000,000 (2021: 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 2022	2021	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

Issued capital held directly by the Company.

* 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

	2022 RMB'000	2021 RMB'000
Raw materials	**33,194**	26,191
Finished goods	**7,290**	5,821
	40,484	32,012

As at 31 December 2022, the inventories with carrying amount of RMB6,295,000 (2021: RMB2,162,000) were carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

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

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 (2021: 0 to 90 days). Based on the invoice dates, the ageing analysis of trade receivables, net of ECL allowance, was as follows:

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

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

	2022 **RMB'000**	2021 RMB'000
At the beginning of the year	**8,154**	6,287
Net (reversal of)/provision for ECL allowance recognised during the year	**(3,265)**	2,140
Exchange realignment	**89**	(273)
At the end of the year	**4,978**	8,154

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

	2022 **RMB'000**	2021 RMB'000
At the beginning of the year	**32**	32
ECL allowance recognised during the year	**13**	–
At the end of the year	**45**	32

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

19.1 Contract assets

	2022 RMB'000	2021 RMB'000
Contract assets arising from		
— Cleanroom projects (notes a, c)	**109,610**	76,838
— Sales of goods (notes b, c)	**1,610**	4,480
Less: ECL allowance	**(6,600)**	(7,065)
	104,620	74,253

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 10–15% (2021: 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 5% to 10% (2021: 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 two-years retention period for normally 5% (2021: 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 2022, the carrying amount of contract assets that is expected to be recovered after more than one year is RMB18,001,000 (2021: RMB12,732,000), 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 2022, RMB68,564,000 (2021: RMB51,748,000) 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:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**7,065**	2,758
Net (reversal of)/provision for ECL allowance recognised during the year	**(445)**	4,313
Exchange realignment	**(20)**	(6)
At the end of the year	**6,600**	7,065

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

19.2 Contract liabilities

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

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 30% (2021: 10% to 35%) deposit on acceptance of manufacturing orders during the year ended 31 December 2022.

As at 31 December 2022, none of the contract liabilities that is expected to be settled after more than one year (2021: Nil).

The decrease of contract liabilities as at 31 December 2022 is mainly due to the decrease in the deposits received as a result of less manufacturing orders received from customers during the reporting period.

Contract liabilities outstanding at the beginning of the year amounted to RMB12,539,000 (2021: RMB2,200,000) have been recognised as revenue during the year ended 31 December 2022.

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:

	2022 RMB'000	2021 RMB'000
Within one year	**39,529**	157,491
More than one year	**14,064**	–
	53,593	157,491

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

	2022 **RMB'000**	2021 RMB'000
Amounts due from related companies		
— Sum Technic Sdn. Bhd. (note a)	**374**	189
— Sum System Solution Sdn. Bhd. (note b)	**–**	1
	374	190

(b) Amounts due to related parties

	2022 **RMB'000**	2021 RMB'000
Amounts due to the Controlling Shareholders		
— Lim Kai Seng	**59**	13
— Yap Chui Fan	**–**	5
— Chin Sze Kee	**–**	46
	59	64
Amount due to a shareholder		
— Luah Kok Lam	**14**	–
	73	64

Notes:

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

21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Pledged bank deposits (note a)	**1,552**	1,624
Cash and bank balances (note b)	**160,084**	86,085
Short-term bank deposits (note c)	**–**	24,451
Cash and cash equivalents (note d)	**160,084**	110,536

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 30 months (2021: 1 month to 22 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 from 0.02% to 0.06% interest per annum.

(d) Included in cash and cash equivalents of the Group is RMB69,062,000 (2021: RMB26,605,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

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

22. TRADE AND OTHER PAYABLES *(Continued)*

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 RMB'000	2021 RMB'000
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
	66,254	63,971

23. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Total minimum lease payments:		
— Due within one year	**2,805**	2,059
— Due after one year but within five years	**1,069**	785
— Due after five years	**30**	–
	3,904	2,844
Future finance charges on lease liabilities	**(163)**	(94)
Present value of lease liabilities	**3,741**	2,750
Present value of minimum lease payments:		
— Due within one year	**2,708**	1,985
— Due after one year but within five years	**1,003**	765
— Due after five years	**30**	–
	3,741	2,750
Less: portion due within one year included under current liabilities	**(2,708)**	(1,985)
Portion due after one year included under non-current liabilities	**1,033**	765

23. LEASE LIABILITIES *(Continued)*

The Group leases a number of plants, office premises, 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 2022, lease liabilities amounted to RMB3,741,000 (2021: RMB2,750,000) are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessors in the event of default by repayment by the Group.

As at 31 December 2022, lease liabilities in relation to certain motor vehicles with outstanding balances of RMB655,000 (2021: Nil) and RMB130,000 (2021: RMB206,000) 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 2022, the total cash outflows for the leases are RMB3,596,000 (2021: RMB2,574,000).

24. BORROWINGS

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

As at 31 December 2022, the bank loans bear effective interest rates ranged 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 (note 15).

25. DEFERRED TAX

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

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**4,092**	824
(Charged)/Credited to profit or loss (note 11)	**(2,272)**	3,076
(Charged)/Credited to other comprehensive income	**(242)**	101
Effect of change in tax rate (note (11))	**302**	–
(Under)/Over-provision in respect of prior years (note 11)	**(92)**	121
Exchange realignment	**91**	(30)
At the end of the year	**1,879**	4,092

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 2021	(211)	(2,893)	1,235	447	2,089	157	824
(Charged)/Credited to profit or loss (note 11)	(122)	–	1,743	525	1,080	(150)	3,076
Credited to 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 and 1 January 2022	(317)	(2,609)	2,864	1,050	3,104	–	4,092
(Charged)/Credited to profit or loss (note 11)	**(2)**	**528**	**(2,221)**	**116**	**(693)**	**–**	**(2,272)**
Charged to other comprehensive income	**–**	**(242)**	**–**	**–**	**–**	**–**	**(242)**
Under-provision in respect of prior years (note 11)	**–**	**–**	**–**	**–**	**(92)**	**–**	**(92)**
Effect of change in tax rate (note 11)	**–**	**–**	**–**	**–**	**302**	**–**	**302**
Exchange realignment	**(9)**	**(66)**	**24**	**32**	**110**	**–**	**91**
As at 31 December 2022	**(328)**	**(2,389)**	**667**	**1,198**	**2,731**	**–**	**1,879**

25. DEFERRED TAX *(Continued)*

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

	2022 **RMB'000**	2021 RMB'000
Deferred tax assets	**4,606**	6,481
Deferred tax liabilities	**(2,727)**	(2,389)
	1,879	4,092

As at 31 December 2022, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to RMB77,589,000 (2021: RMB35,899,000). Deferred tax liabilities have not been recognised amounted to RMB7,759,000 (2021: RMB3,590,000) 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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**10,000,000,000**	**86,773**
Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,400,000,000**	**12,152**

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

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	**2022 RMB'000**	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary	16	**114,848**	114,848
Current assets			
Amounts due from subsidiaries		**86,698**	30,631
Prepayments		**73**	222
Cash and cash equivalents		**10,394**	50,052
		97,165	80,905
Current liabilities			
Other payables		**1,433**	9,205
Net current assets		**95,732**	71,700
Net assets		**210,580**	186,548
EQUITY			
Share capital	26	**12,152**	12,152
Reserves (note)		**198,428**	174,396
Total equity		**210,580**	186,548

Approved and authorised for issue by the board of directors on 30 March 2023.

Ng Yew Sum
Director

Chin Sze Kee
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 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 and 1 January 2022	64,379	114,759	(4,808)	66	174,396
Dividend paid (note 13)	**–**	**–**	**–**	**(16,595)**	**(16,595)**
Profit for the year	**–**	**–**	**–**	**25,700**	**25,700**
Other comprehensive income for the year:					
Exchange difference on translation to presentation currency	**–**	**–**	**14,927**	**–**	**14,927**
As at 31 December 2022	**64,379**	**114,759**	**10,119**	**9,171**	**198,428**

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

	2022 RMB'000	2021 RMB'000
Sales of goods to related companies		
— Sum Technic	**8,195**	182
— Micronaire Global Sdn. Bhd. (note)	**111**	14
Engagement fee paid to a related company		
— 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 and Lim Kai Seng, the Controlling Shareholders of the Company, and Yap Chui Fan, the then Controlling Shareholder 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

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	**9,645**	8,621
Retirement scheme contributions	**692**	686
	10,337	9,307

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, additions to property, plant and equipment of RMB3,129,000 (2021: RMB116,000) 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 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 and 1 January 2022	64	2,750	62,247	65,061
Cash-flows:				
— Interest expense	**–**	**(150)**	**–**	**(150)**
— Repayment	**(7)**	**(2,695)**	**(20,766)**	**(23,468)**
— Proceeds	**15**	**–**	**18,000**	**18,015**
Non-cash:				
— Interest expense	**–**	**150**	**–**	**150**
— Additions	**–**	**3,129**	**–**	**3,129**
— Termination of lease	**–**	**(1,011)**	**–**	**(1,011)**
— Modification of lease	**–**	**1,536**	**–**	**1,536**
— Exchange realignment	**1**	**32**	**1,002**	**1,035**
As at 31 December 2022	**73**	**3,741**	**60,483**	**64,297**

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 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:

	2022 **RMB'000**	2021 RMB'000
Financial assets		
Financial assets at amortised cost:		
— Trade and other receivables	**67,901**	79,923
— Amounts due from related parties	**374**	190
— Pledged bank deposits	**1,552**	1,624
— Cash and cash equivalents	**160,084**	110,536
	229,911	192,273
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and other payables	**88,884**	78,988
— Amounts due to related parties	**73**	64
— Lease liabilities	**3,741**	2,750
— Borrowings	**60,483**	62,247
	153,181	144,049

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 2022		
Trade and other receivables	**8,092**	**8,066**
Cash and bank balances	**10,267**	**4,534**
Trade and other payables	**(268)**	**(964)**
Overall net exposures	**18,091**	**11,636**
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

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 2022 and 2021 and equity as at 31 December 2022 and 2021 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 represent 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 2022			
USD	**5%**	**696**	**696**
SGD	**5%**	**442**	**442**
Year ended 31 December 2021			
USD	5%	849	849
SGD	5%	790	790

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 2022 and 2021 and equity as at 31 December 2022 and 2021 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 2022, 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 RMB398,000 (2021: RMB109,000). 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 rate 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 2022 and 2021 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.

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 2022, trade receivables and contract assets from an individual customer accounted for 21% (2021: 21%) 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 2022 and 2021 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 2022					
ECL rate (note)	**0%–8%**	**0%–9%**	**24%–100%**	**100%**	
Gross carrying amount					
— Trade receivables	**9,902**	**51,250**	**3,068**	**1,787**	**66,007**
— Contract assets	**111,220**	**–**	**–**	**–**	**111,220**
Lifetime ECL	**6,622**	**2,284**	**885**	**1,787**	**11,578**
As at 31 December 2021					
ECL rate (note)	0%–8%	6%–13%	14%–49%	50%–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

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 allowance recognised is based on 12- month ECL. As at 31 December 2022 and 2021, 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 tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining contractual maturity as at 31 December 2022 and 2021. 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	Over 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2022					
Trade and other payables	**88,884**	**–**	**–**	**88,884**	**88,884**
Amounts due to related parties	**73**	**–**	**–**	**73**	**73**
Lease liabilities	**2,805**	**1,069**	**30**	**3,904**	**3,741**
Borrowings	**60,518**	**–**	**–**	**60,518**	**60,483**
	152,280	**1,069**	**30**	**153,379**	**153,181**
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

Bank loans with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2022, the aggregate undiscounted principal and interest of the bank loan payables in accordance with the scheduled payment terms were RMB54,371,000 (2021: RMB55,730,000).

As at 31 December 2022, 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, details of which are set out in the table below.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

32.5 Liquidity risk *(Continued)*

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Within 1 year RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2022	**4,084**	**12,253**	**38,034**	**54,371**	**45,483**
As at 31 December 2021	3,970	15,880	35,880	55,730	46,970

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 2021	–
Purchase of bank wealth management products	19,000
Disposal of bank wealth management products	(19,000)
As at 31 December 2021 and 1 January 2022	**–**
Purchase of bank wealth management products	**139,500**
Disposal of bank wealth management products	**(139,500)**
As at 31 December 2022	**–**

During the year ended 31 December 2022, there were no transfers between Level 1, Level 2 and Level 3 (2021: 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 2022 and 2021 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:

	2022 **RMB'000**	2021 RMB'000
Lease liabilities	**3,741**	2,750
Borrowings	**60,483**	62,247
Total borrowings	**64,224**	64,997
Less: pledged bank deposits	**(1,552)**	(1,624)
cash and cash equivalents	**(160,084)**	(110,536)
Net debt	**N/A**	N/A
Total equity	**292,005**	225,857
Net debt to equity ratio	**N/A**	N/A

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 2022 is as follows:

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**462,907**	267,549	203,629	206,169	177,548
Profit before income tax	**93,677**	43,324	16,698	32,848	40,708
Profit for the year	**75,410**	34,694	10,600	25,929	32,270
Profit for the year attributable to:					
— Equity holders of the Company	**74,955**	34,634	10,523	18,184	20,696
— Non-controlling interests	**455**	60	77	7,745	11,574
	75,410	34,694	10,600	25,929	32,270

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**79,846**	79,936	36,003	37,627	36,195
Current assets	**387,210**	313,984	269,121	177,929	152,932
Total assets	**467,056**	393,920	305,124	215,556	189,127
Liabilities					
Non-current liabilities	**3,760**	3,154	3,680	4,745	5,264
Current liabilities	**171,291**	164,909	93,885	68,910	44,020
Total liabilities	**175,051**	168,063	97,565	73,655	49,284
Total equity	**292,005**	225,857	207,559	141,901	139,843