CM Hi-Tech Cleanroom Limited
捷芯隆高科潔淨系統有限公司

(formerly known as Channel Micron Holdings Company Limited)
(incorporated in the Cayman Islands with limited liability)
Stock Code : 2115

Annual Report 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Yew Sum *(Chairman)*
Mr. Law Eng Hock
Mr. Lim Kai Seng (resigned on 31 March 2024)
Mr. Chin Sze Kee

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 CM Hi-Tech Cleanroom Limited (the "**Company**") (stock code: 2115) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Financial Calendar

Annual results announcement	:	Wednesday, 27 March 2024
2024 annual general meeting (the "**AGM**")	:	Thursday, 30 May 2024

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., Thursday, 23 May 2024
Period of closure of register of members	:	Friday, 24 May 2024 to Thursday, 30 May 2024

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

Latest time for lodging transfer documents of shares	:	4:30 p.m., Wednesday, 5 June 2024
Period of closure of register of members	:	Thursday, 6 June 2024 to Tuesday, 11 June 2024
Record date	:	Tuesday, 11 June 2024

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 Wednesday, 26 June 2024 to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 11 June 2024.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 30 May 2024. Notice of the AGM will be set out in the Company's circular dated Friday, 26 April 2024 and will be made available 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).

PUBLICATION OF THE ANNUAL REPORT

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I hereby present to you the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 ("**FY2023**" or the "**Year**").

As a results of various market factors including US-China trade tension and economic uncertainties, the demand of our products was negatively affected. The Group's revenue for FY2023 experienced a significant decline of approximately 23.0% and its net profit also decreased by around 27.3% compared to the corresponding period last year ("**FY2022**").

The Group was founded in 1989 and has grown along with the cleanroom industry in Asia from the 1990's to the present. Through its dedicated efforts, the Group has established the "Channel Systems" brand for its cleanroom wall and ceiling systems and the "Micron" brand for its cleanroom equipment. While acknowledging the persistent challenges, particularly evident in the PRC market, the Group maintains a cautiously optimistic outlook for the future. This outlook is cautiously anchored in the potential market prospects unfolding across Southeast Asia, where a sustained investment trajectory in the semiconductor industry and data centers is expected.

The Group attributes its ability in navigating uncertainties to the strength of its enduring relationships with customers. These relationships are complemented by the Group's well-established brand name and a robust track record. Looking ahead, the Group remains committed to adapting to evolving market dynamics, safeguarding the long-term success of the Company.

The Board is pleased to announce the payment of a Final Dividend of HK0.53 cents per Share, as a gesture of gratitude to the Shareholders for their unwavering support and to provide them with direct returns.

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

Ng Yew Sum
Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For FY2023, the Group's revenue experienced a significant decline of approximately 23.0% and its net profit also decreased by around 27.3% compared to FY2022. The decline in revenue was partially offset by the reduction in selling and distribution costs and research and development expenses; however, this reduction was outweighed by increases in other expenses, resulting in a net profit decrease of approximately 27.3%. The decline in revenue was predominantly driven by a reduction of approximately 21.9% in revenue from cleanroom wall and ceiling systems, mainly due to (1) the impact of US-China trade tensions affecting investments and construction progress for the semiconductor facilities located in the People's Republic of China ("**PRC**"); and (2) an uncertain investment climate, particularly in the semiconductor industry, which has been created by economic uncertainties. This is coupled with weak demand for end-making electronics, elevated inventory levels and weaker prices of microchips. These factors have directly impacted the demand for our cleanroom products, especially in the PRC market.

Despite the overall revenue decline, the Group achieved significant growth of approximately 75.4% within its cleanroom equipment segment, demonstrating its adaptability to market changes. Additionally, amidst the revenue decline in various regions, the Group saw revenue growth in Malaysia, recording an increase of about 21.5%. This growth highlights the successful execution of the Group's strategic initiative to diversify its market reach. In an effort to bolster its production capabilities, the Group has acquired a land parcel spanning approximately 16,056 square meters in Malaysia, for the construction of a new production facility (the "**New Production Facility**"). As at the date of this report, the Group has received the official approval letter from the Malaysian government for the construction plan of the New Production Facility. In accordance with the Group's current schedule, construction is expected to commence in the second quarter of 2024, with the full operational launch anticipated in the fourth quarter of the same year. Meanwhile, in the PRC, the Group has renewed the lease of the temporary factory as it continues to seek suitable premises for its second factory.

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			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Cleanroom wall and ceiling systems	**328,094**	**92.0**	419,939	90.7
Cleanroom equipment	**21,951**	**6.2**	12,518	2.7
Others	**6,525**	**1.8**	30,450	6.6
Total	**356,570**	**100**	462,907	100

Cleanroom wall and ceiling systems

Revenue from cleanroom wall and ceiling systems for FY2023 decreased by RMB91.8 million or 21.9% as compared to FY2022. The sales for cleanroom wall and ceiling systems in the PRC and Southeast Asia decreased by approximately RMB78.8 million and RMB13.1 million respectively for FY2023 as compared to FY2022. The decline in sales for the PRC market was mainly attributable to delays in multiple projects, which in turn was due to US-China trade tensions resulting in disruption in the investments and construction progress for the semiconductor facilities located in the PRC. For other markets, the decline was due to drop in demand resulting from economic headwinds and uncertain investment environment in the semiconductor industry as well as the fact that the existing projects are scheduled to achieve more progress in 2024.

The more sizable contracts we undertook in FY2023 included:

(a) 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 FY2023 amounted to RMB36.8 million, representing 11.2% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(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 FY2023 amounted to RMB24.0 million, representing 7.3% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(c) 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 FY2023 amounted to RMB16.5 million, representing 5.0% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(d) 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 FY2023 amounted to RMB15.7 million, representing 4.8% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(e) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor raw material manufacturing facility in the PRC, from which revenue generated for FY2023 amounted to RMB14.6 million, representing 4.5% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(f) 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 FY2023 amounted to RMB12.7 million, representing 3.9% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(g) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor raw material manufacturing facility in the PRC, from which revenue generated for FY2023 amounted to RMB10.9 million, representing 3.3% of total cleanroom wall and ceiling systems revenue of the Group for FY2023;

(h) 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 FY2023 amounted to RMB10.0 million, representing 3.0% of total cleanroom wall and ceiling systems revenue of the Group for FY2023; and

(i) 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 FY2023 amounted to RMB10.0 million, representing 3.0% of total cleanroom wall and ceiling systems revenue of the Group for FY2023.

Cleanroom equipment

Revenue from cleanroom equipment for FY2023 increased by RMB9.4 million or 75.4% as compared to FY2022. This is mainly due to certain significant contracts for supply of cleanroom equipment for semiconductor product manufacturing facilities in the Malaysia, Philippines and Portugal, which generated an aggregate revenue of approximately RMB11.3 million, representing 51.4% of total cleanroom equipment revenue of the Group for FY2023.

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 FY2023 decreased by RMB23.9 million or 78.6% as compared to FY2022. Such decrease was mainly attributable to drop in demand as a result of economic headwinds and uncertain investment environment in the semiconductor industry; and the prioritisation of fulfilling the overwhelming demand for cleanroom equipment projects, resulting in a decreased acceptance of ancillary orders.

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			
	2023		2022	
	RMB'000	**%**	RMB'000	%
The PRC (excluding Hong Kong)	**202,853**	**56.9**	281,615	60.8
Malaysia	**102,586**	**28.8**	84,404	18.2
Philippines	**18,113**	**5.1**	48,763	10.6
Singapore	**18,261**	**5.1**	26,414	5.7
The United Kingdom	**9,040**	**2.5**	464	0.1
United States	**–**	**–**	8,308	1.8
Germany	**–**	**–**	7,708	1.7
Others	**5,717**	**1.6**	5,231	1.1
Total	**356,570**	**100**	462,907	100.0

Revenue from Malaysia for FY2023 increased by RMB18.2 million, or 21.5%, as compared to FY2022 mainly due to the increase in sales of cleanroom wall and ceiling systems and cleanroom equipment in Malaysia.

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			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	RMB'000	%
Cleanroom wall and ceiling systems	**101,726**	**31.0**	136,527	32.5
Cleanroom equipment	**8,085**	**36.8**	2,278	18.2
Others	**3,130**	**48.0**	10,792	35.4
Total	**112,941**	**31.7**	149,597	32.3

The gross profit margin of cleanroom wall and ceiling systems for FY2023 remained stable as compared to FY2022.

The gross profit margin of cleanroom equipment for FY2023 increased by 18.6 percentage points as compared to FY2022. Such increase was mainly due to economies of scale.

Gross profit margin of ancillary business for FY2023 increased by 12.6 percentage points as compared to FY2022. Such increase was mainly due to the higher gross profit margin generated from certain contracts for the ancillary business in Philippines.

Other Income

During FY2023, the Group recorded other income of RMB3.2 million, of which approximately RMB1.4 million represents grants received from provincial government in the PRC for subsidising the Group's operations.

Selling and Distribution Costs

Selling and distribution costs decreased by 53.3% to RMB7.9 million (2022: RMB16.9 million), which was mainly due to less commission expenses and lower logistic expenses compared to last correspondence period.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by 20.2% to RMB30.2 million (2022: RMB37.8 million).

Net Provision for Credit Losses of Trade Receivables and Contract Assets

For FY2023, the Group recorded a net provision for credit losses of trade receivables and contract assets of RMB0.5 million and RMB2.7 million respectively. This contrasts with FY2022, where the Group recorded a net reversal of credit losses of trade receivables and contract assets of RMB3.3 million and RMB0.4 million respectively. The shift is mainly due to the increase in trade receivables and contract assets as at 31 December 2023 as compared to that as at 31 December 2022.

Income Tax Expense

Income tax expense was RMB14.1 million for FY2023 (2022: RMB18.3 million). The effective tax rate, representing income tax expense divided by profit before income tax, was 20.5% for FY2023 (2022: 19.5%).

Profit for the Year

As a result of the above, net profit decreased by 27.3% to RMB54.9 million (FY2022: RMB75.4 million). Net profit margin decreased to 15.4% (FY2022: 16.3%).

Property, Plant and Equipment

Property, plant and equipment amounted to RMB80.0 million and RMB75.2 million as at 31 December 2023 and 2022, 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 RMB40.5 million as at 31 December 2022 to RMB47.8 million as at 31 December 2023 which is mainly due to bulk purchase of raw materials near the end of FY2023 to cater for the projects in 2024.

Trade and Other Receivables

Trade and other receivables increased to RMB94.5 million as at 31 December 2023 as compared to RMB75.9 million as at 31 December 2022. This is mainly due to an increase in billing to customers in the final two months of FY2023, resulting in outstanding payments from customers.

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 RMB104.6 million as at 31 December 2022 to RMB128.5 million as at 31 December 2023, which is mainly due to the fact that relatively more work was completed in the last two months of FY2023, which the Group is yet to be entitled to invoice the customers.

Trade and Other Payables

Trade and other payables remained stable at RMB99.7 million as at 31 December 2023, as compared to RMB94.9 million as at 31 December 2022.

Human Resources

As at 31 December 2023, the total number of full-time employees of the Group was 242 (2022: 205). 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 RMB38.7 million (2022: RMB38.3 million).

Liquidity And Financial Resources And Borrowings

Cash and cash equivalents amounted to RMB134.4 million as at 31 December 2023.

As at 31 December 2023, borrowings amounted to RMB59.1 million (2022: RMB60.5 million) with effective interest rates of range from 3.3% to 4.4% (2022: from 3.7% to 4.4%), per annum.

The gearing ratio, which was calculated on the basis of bank borrowings and lease liabilities divided by total equity, was 0.21 (2022: 0.22).

Capital Expenditure and Commitments

During the Year, total investment in property, plant and equipment was RMB4.1 million (2022: RMB4.6 million).

As at 31 December 2023, the Group had no contracted capital commitments.

Capital Structure

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

Significant Investments

As at 31 December 2023, the Group held no major investment.

Material Acquisitions and Disposals

During FY2023, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

Events After the Reporting Period

Mr. Lim Kai Seng will be resigned as the executive Director on 31 March 2024. Apart from that, the Group does not have any material subsequent events after the reporting period.

Charges on the Group's Assets

As at 31 December 2023, RMB1.5 million (2022: 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 2023, the Group's bank loans of RMB41.1 million (2022: RMB45.5 million) were secured by the legal charges over the Group's freehold land and building.

Other than the above, as at 31 December 2023, 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 2023, the Group did not have any contingent liabilities.

Final Dividend

The Board has proposed the payment of a final dividend of HK0.53 cents per Share for the year ended 31 December 2023 (FY2022: HK0.70 cents per Share) to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 11 June 2024. The final dividend will be paid on or before Wednesday, 26 June 2024, subject to the Shareholders' approval at the annual general meeting of the Company (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 planned usage of the net proceeds (as reallocated as per the Company's interim report for the six months ended 30 June 2023) and the actual usage of the net proceeds as at 31 December 2023 are set out below:

Planned use of net proceeds	% to total amount	RMB million	**Actual use of net proceeds up to 31 December 2023 RMB million**	**Unutilised net proceeds as at 31 December 2023 RMB million**	Expected timeline for the unutilised net proceeds
Expansion and renovation of production facilities in the PRC	0.8	0.4	**0.4**	**–**	N/A
Expansion of production facilities in Malaysia	67.8	32.2	**13.8**	**18.4**	On or before December 2024
Strengthening sales and marketing, and engineering and support functions in the PRC and Malaysia by hiring additional staff	9.0	4.3	**4.3**	**–**	N/A
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	**29.1**	**18.4**	

The unutilised amount is expected to be used in accordance with the Company's business strategies as disclosed in the Prospectus, taking into account the reallocations as set out in the Company's interim report for the six months ended 30 June 2023, 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 57, 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 34 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 48, 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 24 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 (resigned on 31 March 2024), aged 62, 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 47, 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 23 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 64, 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 each 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 41, 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 19 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 and President of The Society of Chinese Accountants and Auditors in 2021, and 2022 and 2023 respectively.

He has also been appointed as the council member of the Hong Kong Institute of Certified Public Accountants in 2024.

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 69, 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 each of the remuneration and nomination committees.

Mr. Manen has more than 48 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.

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 Hong Leong Investment Bank Berhad. Mr. Manen was an independent non-executive director of Heineken Malaysia Berhad, and Unisem (M) Berhad, both public companies listed on Bursa Malaysia Securities.

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 52, 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 27 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 45, 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 20 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 55, 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 44, 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 19 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. Wong Chee Ken, aged 50, is the assistant general manager of the Group and is primarily responsible for overseeing overall project management, leading teams, developing strategies for business growth, and ensuring operational excellence across all projects. Mr. Wong has over 15 years of operational experience in the cleanroom engineering industry. He commenced his tenure with the Group in April 2007, initially as a project engineer in the R&D department of Channel Systems (Asia), where he was responsible for leading the development of SCADA software capable of communicating, monitoring, and controlling fan filter units. He was promoted as the assistant manager of the Group and was responsible for project management in July 2008. In October 2010, he was promoted as R&D and technical manager where he was mainly responsible for business development, before assuming his current role in April 2021.

Mr. Wong holds a Certificate in Electrical & Electronic Engineering from Tunku Abdul Rahman College obtained in 1994, and pursued further studies, obtaining a Higher National Diploma in Electrical & Electronic Engineering from First City University College (formerly known as Kolej Bandar Utama) in 1996.

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 18 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 a Fellow 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 REPORT

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 C1 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 2023 (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 as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Mr. Chin Sze Kee was in breach of Rules A.3 and B.8 of the Model Code in August 2023 for one transaction involving his acquisition of 100,000 Shares, representing approximately 0.007% of the total issued share capital of the Company, on the market at a consideration of HK$25,000 due to inadvertent oversight. Except for this one incident, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions during the Year and up to the date of this 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 during 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 58 to 96 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 (resigned on 31 March 2024)
Mr. Chin Sze Kee

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 15 to 19 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. Four 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.

Two 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	4/4	2/2
Mr. Law Eng Hock	3/4	2/2
Mr. Lim Kai Seng (resigned on 31 March 2024)	4/4	2/2
Mr. Chin Sze Kee	4/4	2/2
Independent Non-executive Directors		
Mr. Ng Seng Leong	4/4	2/2
Mr. Wu Chun Sing	4/4	2/2
Mr. Martin Giles Manen	4/4	2/2

Chairman and Chief Executive

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

Pursuant to code provision 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 auditor 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 circumstances. However, the Board will continue to review the current structure and if a candidate with suitable knowledge, skills 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 13 months commencing from 3 September 2023 subject to termination in certain circumstances as stipulated in the relevant service agreements or by not less than three months' notice in writing sent by either party to the other. Each of the independent non-executive Directors has signed a letter of appointment for a further term of one year from 28 September 2023.

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 26 to 30 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 (resigned on 31 March 2024)	A
Mr. Chin Sze Kee	B
Independent Non-executive Directors	
Mr. Ng Seng Leong	B
Mr. Wu Chun Sing	A, B
Mr. Martin Giles Manen	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 2022;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2023;
- 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 2023 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, three 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)*	3/3
Mr. Martin Giles Manen	3/3
Mr. Ng Yew Sum	3/3

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 [Note] (excluding the Directors) by bands for the Year is set out below:

Emolument Band	Number of Individuals
Nil to HK$1,000,000	5 [Note]

Note:

These five individuals includes Mr. Khor Why Ping, who tendered his resignation effective 30 June 2023 and excludes Mr. Wong Chee Ken who was not a senior management during FY2023 and has been regarded as senior management of the Group starting 1 January 2024.

Nomination Committee

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

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

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

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

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

During the Year, one Nomination Committee meeting was held.

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

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

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

- reviewed the existing structure, size, composition and diversity (including but not limited to gender, age, cultural, education background, ethnicity, professional experience, skills, knowledge and length of service in the Company) of the Board;

- reviewed the Board diversity policy and the nomination of directors policy and procedures of the Company;

- assessed the independence of the independent non-executive Directors; and

- recommended to the Board on the re-election of retiring Directors.

Board Diversity Policy

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

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

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

As at the date of this report, the Board consists of seven [Note] 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.

Note: The seven male Directors included Mr. Lim Kai Seng who resigned on 31 March 2024.

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 (including senior management). 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 27 March 2024 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 2023, 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 2023, 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 27 March 2024, 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 2023 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 97 to 102 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 RMB1.7 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	1,703
Non-audit Services	217

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

INVESTOR RELATIONS

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

Policies relating to Shareholders

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 CM Hi-Tech Cleanroom Limited presents their report together with the audited financial statements of the Group for the year ended 31 December 2023.

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, which forms part of this report of the Directors. 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, which forms part of this report of the Directors.

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) 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;

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

(v) 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;

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

(vii) 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;

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

(ix) 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;

(x) 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;

(xi) 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;

(xii) 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

(xiii) 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 33 to 34 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 HK0.53 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 Tuesday, 11 June 2024. The Final Dividend will be paid on or before Wednesday, 26 June 2024, subject to the Shareholders' approval at the AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The AGM will be held on Thursday, 30 May 2024 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 Friday, 24 May 2024 to Thursday, 30 May 2024, 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 Thursday, 23 May 2024.

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 Thursday, 6 June 2024 to Tuesday, 11 June 2024, 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 Wednesday, 5 June 2024.

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 2023, 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 107 to 108 of this annual report and Note 28 to the consolidated financial statements of this annual report, respectively.

As of 31 December 2023, the Company's aggregate amount of reserve available for distribution to Shareholders amounted to RMB189.5 million (2022: 198.4 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 2023, 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 6.5 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 (resigned on 31 March 2024)
Mr. Chin Sze Kee

Independent Non-executive Directors

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

In accordance with Article 84 (1) of the Articles of Association, Mr. Law Eng Hock and Mr. Wu Chun Sing, 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 15 to 19 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 3 October 2024. 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 28 September 2024. 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 2023, 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	339,958,550 (L)	24.28%
Mr. Law Eng Hock	Beneficial owner	60,040,050 (L)	4.29%
Mr. Lim Kai Seng (resigned on 31 March 2024)	Beneficial owner	36,877,050 (L)	2.63%
Mr. Chin Sze Kee	Beneficial owner	37,191,850 (L)	2.65%
Mr. Ng Seng Leong	Beneficial owner	70,000 (L)	0.00%

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 2023, 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 2023, 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	339,958,550 (L)	24.28%
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	20,958,700 (L)	1.49%
	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	153,768,400 (L)	10.98%

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 20,958,700 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 2023, 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 17.1% and 59.5% 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 8.1% and 35.6% 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. All related party transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

CSI Framework Sales Agreement

The Group has entered into the following framework sales agreement (the "**CSI Framework Sales Agreement**") with Channel Systems, Inc. ("**CSI**") on 1 November 2021:

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 186,027,100 Shares, representing approximately 13.29% of the total issued share capital of the Company. Accordingly, CSI is a connected person of the Company and the transactions contemplated under the CSI Framework Sales Agreement constitute continuing connected transactions pursuant to Rule 14A of the Listing Rules.

During the Year, the Group did not manufacture any products and supply to the CSI pursuant to the CSI Framework Sales Agreement and thus the relevant transaction amount is zero.

Internal Control

In order to ensure the terms of the non-fully exempt continuing connected transactions, if any, 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 (Note):

(i) the finance department of the Company has closely monitored the non-fully exempt continuing connected transactions to ensure that the transaction amount (if any) 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 (if any) 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 shall review the non-fully exempt continuing connected transactions (if any) and confirm 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, shall conduct an annual review of the transactions entered into under the non-fully exempt continuing connected transactions (if any) 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 shall be 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 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Note:

For avoidance of doubt, during 2023, there were no transaction carried out pursuant to the CSI Framework Sales Agreement and there were no non-fully exempt continuing connected transactions.

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 2023 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

Mr. Lim Kai Seng will be resigned as the executive Director on 31 March 2024. Apart from that, the Group does not have any material subsequent events after the reporting period.

ABOUT THIS REPORT

Welcome to CM Hi-Tech's 2023 Environmental, Social and Governance Report

This report is CM Hi-Tech Cleanroom Limited's (hereafter mentioned as "**CM Hi-Tech**", "**the Company**" or "**we**") fourth environmental, social and governance ("**ESG**") report ("**this ESG report**") since 2020. It covers CM Hi-Tech's sustainability approach and policy while reviewing its performance and strategy against ESG-related risks and targets. All of our ESG reports are published and updated annually on our website (https://channelmicron.com/ir/financial-report) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Reporting Foundation

- This ESG report was developed according to the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") under Appendix C2 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). We include an explicit statement from the board outlining the board's consideration of ESG issues, a description of our governance structure, and the management of environmental and social aspects with potential risks to comply with the related mandatory and comply or explain disclosure requirements. In order to prioritise our reporting on the "comply or explain" requirements, an assessment of materiality was carried out, taking into account the Guide's Environmental and Social Aspects.

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

Overview of CM Hi-Tech Cleanroom Limited

CM Hi-Tech Cleanroom Limited (stock code: 2115) 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 airflow 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 primarily 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

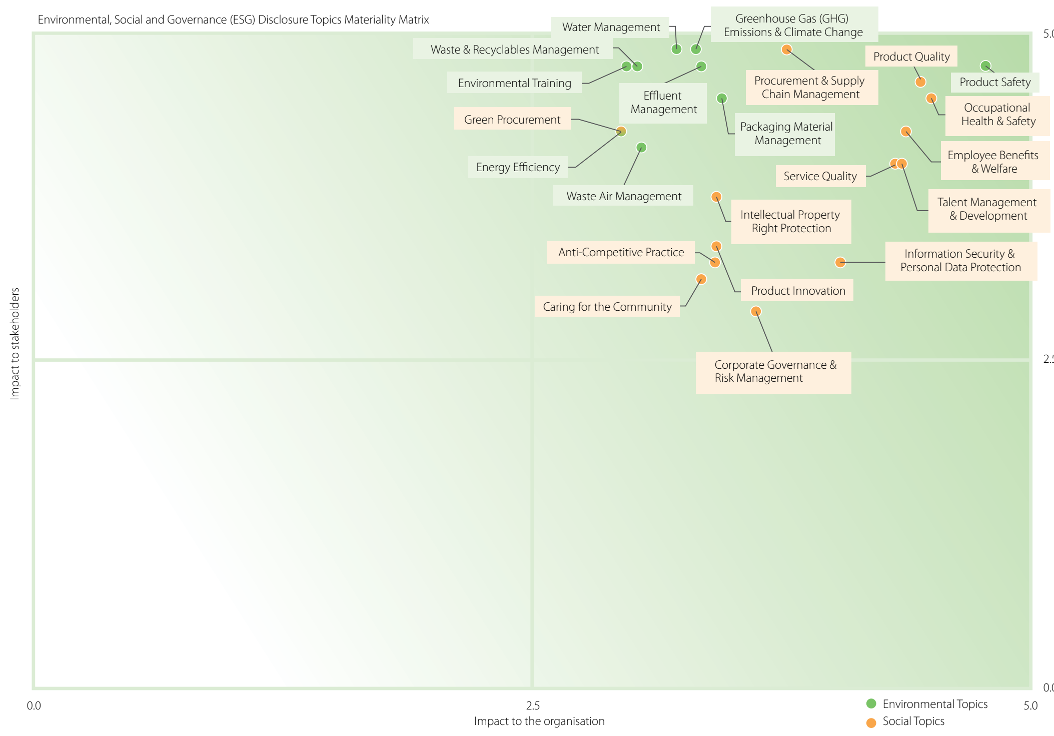
This ESG report covers CM Hi-Tech's sustainability approach, policy, performance, and strategy for the financial year ending 31 December 2023, which is consistent with that of the Company's annual report. Information and data were collected about our cleanroom wall and ceiling systems and equipment manufacturing 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 major 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 stakeholder engagement survey at the end of the Reporting Period, involving the Board and employee representatives, customer, supplier or contractor. A materiality matrix, including an enlarged view of Quadrant I, has been included with this report to present internal (Impact to the organization) and external (Impact to stakeholders) assessment results, showing our determination of materiality and the prioritisation order of the selected relevant ESG topics. More on the materiality assessment process and outcomes are set out in the MATERIALITY ASSESSMENT of this report.



Quantitative: Published KPIs have been established in a way to be measurable and comparable. Appendix 2: Reporting Guidance on Environmental KPIs and Appendix 3: Reporting Guidance on Social 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 consistent methodologies to allow meaningful comparisons of its ESG data over time. Changes in methodologies and reporting scope if applicable are clarified in the notes for stakeholders' reference.

Balance: The Group objectively reports its performance in the environmental, social and governance areas during the Reporting Year, and discloses the results achieved, the measures undertaken and the improvement areas in a responsible manner.

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 presents the ESG performance of the Company. The Board confirms that it has reviewed and approved the Report on 27 March 2024.

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.

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
Customer	• Customer service hotlines • Company websites • Company e-mail • Social media
Employees	• Company e-mail • Meetings • Employee communications meetings • Employee performance assessments • Intranet
Suppliers, Contractors	• Project collaborations • Company website • Site visit • Know Your Client (KYC) review
Media	• Company website • Financial reports • Announcements

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 prioritise the issues that are most relevant to the business and have a significant impact on stakeholders. The result of the assessment is illustrated in this report.

1. Identification of Material Topics

- The independent consultant identified a wide range of issues relating to our environmental and social consequences by researching the industry.
- The consultant then created a online survey to be distributed to our stakeholders, included the Board, employee representatives, supplier/contractor, and customer.

2. Stakeholder Engagement

- Stakeholders evaluated and ranked the sustainability topics based on their perceived level of significance.
- The results presented based on the impact of the buseinss activities of each topic to the stakeholders, as well as the impact of each topic to the success and operations of our business.

3. Validation and Review

- The Board reviewed and determined the scope, topic boundaries, and completeness of the material topics that were prioritised after analysing the results of the stakeholder survey.
- The management approach, key performance indicators and relevant data of the material topics are disclosed in the report.
- The Company will regularly review material topics for upcoming reports, gathering feedback from stakeholders and making sure the topics are in line with our sustainability strategies.

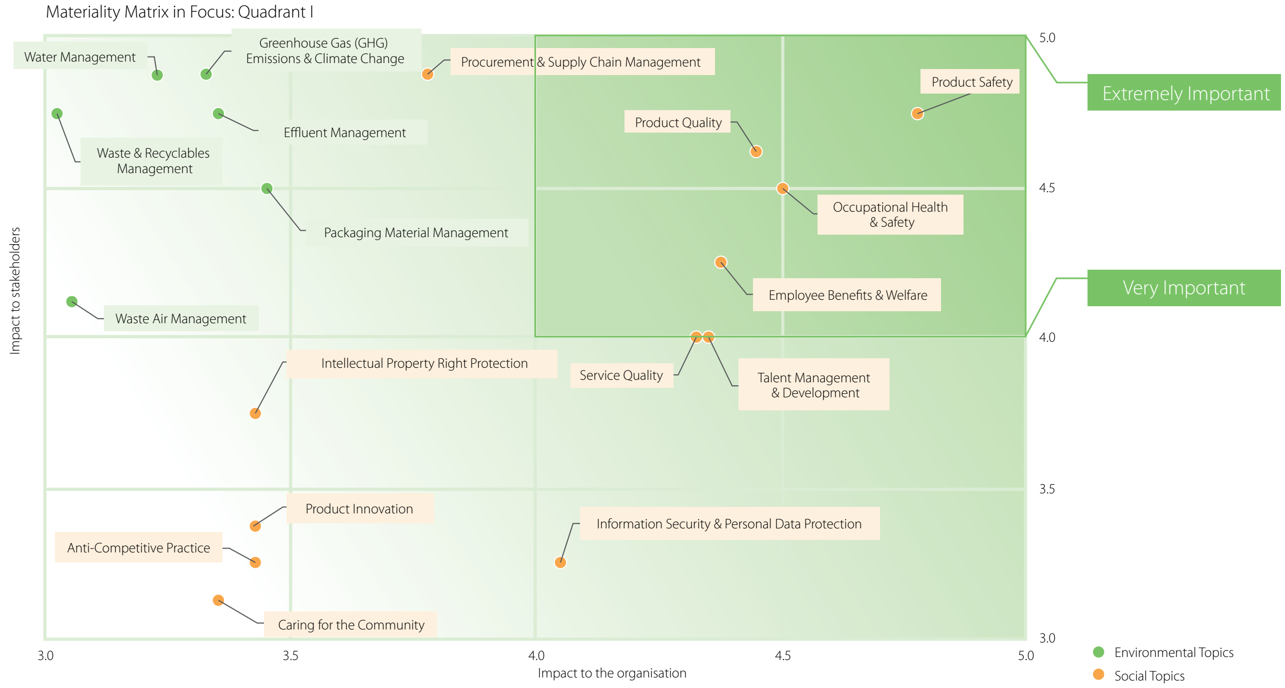
The disclosure topics included in the report are identified by the results of a materiality analysis conducted at the end of the Reporting Period. The analysis (stakeholder engagement and materiality assessment) meets the requirements of the Stock Exchange and demonstrates the application of the 4 reporting principles towards the preparation of reporting content. 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 The Environment & 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	B6 Product Responsibility
20.	Corporate Governance and Risk Management	B7 Anti-Corruption
21.	Anti-Competitive Practices	B7 Anti-Corruption
22.	Caring for The Community	B8 Community Investment

Materiality Matrix and the Prioritisation of Material Disclosures

The materiality matrix below graphically represents the engagement outcome. With 18 topics placed within Quadrant I, which have scores exceeding 3 in both "Impact to stakeholders" and "Impact to the organisation", the results show that external and internal stakeholders view these topics as material to the business.

Materiality Matrix in Focus: Quadrant I



OUR APPROACH TO SUSTAINABILITY

Sustainability Governance Overview

Board Oversight

Our Board provides strategic guidance and monitors the Company's sustainability performance. To ensure that sustainability-related issues are given top priority in our reporting, the Board oversees the review and approval process of our ESG report, stakeholder engagement and materiality assessment outcomes.

Our ESG Working Group assists the Company in conducting materiality assessments annually as well as gathering ESG data for reporting and monitoring. It meets with the Board to discuss the Company's overall ESG performance at least once a year, track its progress towards ESG-related goals and targets and obtain approval and comments on the ESG report from the Board. We are considering establishing an ESG committee soon. In addition to ESG reporting, this Committee will manage ESG-related issues and work under the direction of the Board with a senior management member serving as its chairman. Apart from providing updates on ESG developments, the Committee will assess the effectiveness of ESG operations and report to the Board on the status of ESG-related performance goals.

After assessing climate-related risks, the Board concluded that there is no threat to our financial performance or business operations. As such, we do not currently have any plans to include climate-related ESG considerations into our internal control and risk management systems.

ESG Risk Assessment

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

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

The Board is fully aware of the evolving concerns surrounding environmental issues. In particular, we have placed additional concerns on 'Water Management', 'Effluent Management' and 'Waste Air Management' as compared to 2022. We aim to minimise our environmental impact and ensure responsible resource management. In addition to environmental considerations, the Board also takes 'Product Quality' more seriously. Recognising the impact of high-quality products on customer satisfaction and overall sustainability, we are hoping to uphold rigorous quality standards. Looking ahead to the next Reporting Year, our Group plans to allocate more effort towards topics that have been identified as having medium risk. This strategic approach aims to enhance our resilience and preparedness in addressing potential risks associated with these areas and effectively manage and mitigate any adverse impacts.

By aligning our efforts with areas of concern and potential risk, this ensures that we remain at the forefront of responsible practices in our industry, continuously improving our environmental performance and strengthening our commitment to sustainability.

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 2023.

Through consistent implementation of sustainable policies and practices, the Company has successfully mitigated supply chain tensions and enhanced occupational health and safety measures for employees. We are fully committed to fulfilling our social responsibilities towards all our stakeholders, which encompass employees, customers, suppliers, contractors, and the media. We prioritise their well-being and strive to maintain strong relationships based on trust, transparency, and fairness. Besides, we recognise the importance of environmental preservation and continuously seek innovative solutions. We actively engage in endeavours to protect the environment by implementing sustainable practices, including reducing air and greenhouse gas emissions, minimising energy and water consumption, and effectively managing waste generation.

We are pleased with the company's ESG performance in the past year, as we have maintained compliance with laws and regulations without any reported violations. Additionally, we are proud to report no fatalities in the regions where we operate, namely the PRC, the Philippines, and Malaysia. Moving forward, we remain dedicated to enhancing our sustainability initiatives across various environmental and social topics.

The Board recognises its responsibility to ensure the integrity of the ESG report. We have full confidence that this report provides a comprehensive overview of our strategies and actions concerning the company's material ESG aspects. This report also presents key performance indicators ("**KPI**") data and outlines our future performance targets, providing a transparent view of our ongoing commitment to improving our ESG performance.

By Order of the Board
CM Hi-Tech Cleanroom Limited
(formerly known as Channel Micron Holdings Company Limited)
Ng Yew Sum
Chairman and Executive Director

MATERIAL TOPICS

Product, Service Quality & Product Safety

Associated Aspect with the HKEx Guide:

B6 Product Responsibility

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

Quality Management System and Safety

To uphold a steadfast level of quality and ensure the safety of our services, the Company has implemented a comprehensive quality management system, which has been certified to meet the stringent requirements of ISO 9001:2015, reflecting our commitment to maintaining consistent excellence. Furthermore, we have adhered to the most rigorous certification standards within the cleanroom industry, the ED-STD-209E Standard Class 1 and the ISO 1464401 Standard Class ISO3, to ensure the highest level of cleanliness and adherence to industry best practices.

As part of our quality assurance process, we conduct sampling, quality verification, surveying, data analysis and continuous review at all stages of production, encompassing design and development, resource purchasing, product realization, and customer communication.

On top of that, our Quality Assurance Managers are responsible for monitoring and supervising the Project Quality Plans for assigned projects, ensuring alignment with the contract requirements. They actively promote approved quality concepts and procedures to guarantee that the quality management system has been correctly adopted and implemented across our business operations. We also conduct regular management reviews with key staff to assess our ongoing suitability, adequacy and effectiveness of the quality policy and objectives.

Products Return and Recall Policy

All of our products come with a warranty of 1–2 years, covering manufacturing defects resulting from normal use or as specified in the sales contracts. In addition, customers have a defect liability period of 12–24 months from the date of final acceptance to report any quality-related issues they may encounter after receiving our products. When any malfunction or flaw is discovered, we will send engineers to the site to investigate the problem. If necessary, we will arrange for a replacement, provided that the justification is satisfactory.

At our company, we place a strong emphasis on valuing customer feedback. We understand that these feedbacks are invaluable source allowing us to identify areas for improvement, enhance our work standard and make necessary adjustments to deliver exceptional products and services that meet and exceed customer expectations. We have established transparent and structured customer feedback procedures, including monitoring follow-up actions taken and recording the resolution status for all feedback received to ensure that they are carefully considered and acted upon to drive positive. All customer feedbacks, without exception, are discussed in detail during our project management meetings to ensure it is incorporated into our decision-making processes.

During our Reporting Period, we are pleased to report that we did not receive any product-related complaints from our valued customers. Additionally, there were no long-standing unresolved complaints regarding our products or service performance. There was no non-compliance case relating to health and safety, advertising, labelling and privacy matters relating to the products and services provided.

	2023	2022
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

Occupational Health & Safety

Associated Aspect with the HKEx Guide:

B2 Health and Safety

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

Here at CM Hi-Tech, we place paramount importance on the safety and well-being of our employees. We follow stringent standards and adopt robust management systems to address health and safety concerns effectively. Our priority is to promote safety measures and provide training for all staff members, to ensure a safe working environment.

Occupational health and safety measures

The Corporate Safety Plan serves as a comprehensive framework for facilitating the coordination, management, and regulation of work activities. It is primarily aiming to ensure the safety, health, and well-being of all personnel engaged in the project, as well as the general public affected by the operations. The senior project management team is responsible for implementing safety measures and ensuring their effectiveness in daily operations, while fully complying with all legal and contractual obligations.

Besides, considering the diverse nature of our projects, each project must have a dedicated Safety Plan designed and overseen by the relevant management team and main contractors.

In the event of an unforeseen accident, the Group acknowledges the importance of addressing the consequences and providing support to those affected. Depending on the determination of responsibility, we may consider offering compensation or a death gratuity as a means of alleviating the hardships faced by individuals or their families during these challenging times. These considerations exemplify our commitment to taking responsibility and assisting those impacted by unfortunate incidents.

Strengthen on-site inspections

The Company have set up an internal safety team dedicated to enhancing on-site inspections and managing occupational safety matters at our project sites. The safety Supervisors and Officers are responsible for conducting routine inspections of the Project Safety Plan and evaluating the safety performance of each site. To facilitate effective communication and monitoring, regular safety meetings are held to report significant findings and progress on safety monitoring, with oversight from the Project Director.

Safety education

We actively encourage all staff to participate in various health and safety training programs to enhance their awareness and knowledge of accident prevention and handling procedures.

Safety performance

During our Reporting Period, the Company demonstrated full compliance with occupation hazards- and worksite safety-related laws and regulations, including 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.

	2023	2022	2021	2020
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

As we look ahead, we focus on enhancing our safety management system. The Company will proactively update and review our safety targets, aiming to strengthen the safety incentives for our frontline workers and foster a heightened awareness of safety in the work environment. Furthermore, we will uphold effective safety training, communication sections, meetings and discussions focused on inspections and evaluation for continuous improvements.

Procurement & Supply Chain Management, and Green Procurement

Associated Aspect with the HKEx Guide:

B5 Supply Chain Management

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

To maintain high standards throughout our supply chain, we expect supplies to meet specific criteria related to environmental protection, occupational safety and health, labour standards, and business ethics. We conduct annual reviews and assessments of all suppliers, considering social and environmental risks. 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. Additionally, we evaluate suppliers and subcontractors annually to understand their business conditions and quality control performance, and to establish long-term cooperative relationships with exceptional suppliers and subcontractors.

The Company was also aware of the prevailing global trend towards the utilisation of environmentally friendly materials and has effectively communicated regarding this with our suppliers. Through enhanced communication and collaboration with our suppliers, we strive to enhance their ability to offer sustainable products. Below is the location distribution of suppliers the Company engaged with during the Year:

	Number of Suppliers by Geographical Region	
	2023	2022
Malaysia	**187**	248
PRC	**145**	42
The Philippines	**38**	35

Employee Benefits & Welfare

Associated Aspect with the HKEx Guide:

B1 Employment

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

We believe that our employees are the cornerstone of achieving sustainable success. We actively promote a fair, open, inclusive and collaborative working environment for our employees.

Remuneration, Compensation and Staff Benefits

Creating a safe environment for our employees to work is paramount to us. Our commitment to the safety and well-being of our employees is exemplified by our implementation of high standards of health and safety practices in our project sites, factory and corporate office. We prioritise the welfare of our talented workforce and are dedicated to providing them with excellent compensation and benefits. The Company strictly adheres to laws and regulations on staff remuneration and benefits. This includes the Employment Act 1955, Employees' Provident Fund Act 1991, and Employees' Social Security Act 1969 in Malaysia, as well as 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.

Our employment contracts align with legal and regulatory requirements, detailing working hours, holidays, termination procedures, fringe benefits, and leave entitlement. These contracts ensure fairness and equity for both employees and the Company. All remuneration and compensation are consistent with legal and regulatory requirements.

At CM Hi-Tech, we truly believe in the value of work-life balance as it directly correlates with productivity and overall well-being. Therefore, we maintain a meticulous approach to our production schedule to minimise the need for overtime work. We regularly review our workflow to identify areas where overtime work can be avoided or minimised. Promoting work-life balance is a top priority for us, we do not encourage employees to work overtime. Our employees typically follow dayshift schedules. However, in situations where overtime work becomes necessary, compensation is paid for overtime work according to relevant labour legislation. We ensure that employees receive appropriate compensation for their extra efforts. We are also committed to providing our employees with a fulfilling work experience that respects their personal lives. All employees are entitled to public or statutory holidays as mandated by law, in addition to reasonable working hours and designated rest periods. Employees are also entitled to annual leave, sick leave, and compensation leave, to further support a healthy work-life balance.

Recruitment and Dismissal

The Company is dedicated to employing a fair and performance-based approach in recruiting talented individuals. Through our rigorous and transparent hiring procedures, we evaluate applicants based on their experience, attitude, and potential. We recognize and value the expertise and knowledge that senior staff bring to the table, while also appreciating the energy and adaptability demonstrated by younger candidates. By embracing a diverse range of skills and perspectives, we ensure a dynamic and inclusive workforce.

We vehemently condemn any form of unfair and unjust termination and have strict policies in place to prohibit such practices. We only terminate employees when there is evidence of criminal misconduct, severe misbehaviour, unethical or corrupt practices, and similar violations. Dismissals are solely based on reasonable and legitimate grounds, and employees are informed in writing about the termination of their employment contracts, ensuring transparency in the process. Upon terminating any employees with dissatisfactory performance or for any other reasons, the Group pays the relevant dismissal compensation per their service contracts and the relevant laws and regulations.

Equal opportunity, Diversity and Anti-discrimination

At the core of our values, the Company is committed to fostering a diverse and inclusive working culture, which we believe enhances growth and development. To uphold these principles, we have implemented robust measures to ensure that our recruitment, compensation, promotion, and bonus practices remain unbiased and free from any form of discrimination. Our head of department performs performance appraisals regularly to ensure staff are rewarded and recognized based on their qualifications, achievements, and contributions to the organization. The results of these appraisals are then presented to the top management for review or disapproval, ensuring a fair and comprehensive assessment process. We embrace the diversity of our employees, irrespective of their race, age, gender, sexual orientation, religion, or any other factors, as we recognize the immense value that diverse perspectives and experiences bring to our organisation.

In addition to accommodating employees' observance of religious or national holidays not included in our official schedule, we work to ensure a safe and supportive work environment. We implement open-door practices and provide confidential reporting channels to ensure that employees feel comfortable reporting any incidents of concern. We are committed to preventing and resolving any kind of harassment against our employees, including sexual harassment, to create an inclusive environment where their rights are respected. We treat every complaint, grievance, and concern with utmost seriousness and address them promptly. Our policy reflects a zero-tolerance approach towards any form of physical or verbal discrimination, abuse, or sexual harassment against our employees.

Below is the employee headcount and turnover rate during the Reporting Period:

	Number of people		Turnover rate[1]	
	2023	2022	**2023**	2022
Total	**242**	205	**12%**	22.4%
Gender				
Male	**181**	151	**13%**	19.2%
Female	**61**	54	**10%**	31.5%
Employment type				
Full-time	**242**	205	**12%**	22.4%
Part-time	**0**	0	**0%**	0%
Age group				
18–24	**11**	13	**27%**	61.5%
25–34	**76**	69	**14%**	31.9%
35–44	**74**	62	**4%**	14.5%
45–54	**60**	44	**13%**	13.6%
55–64	**21**	16	**19%**	6.3%
Geographical region				
Malaysia	**97**	85	**10%**	17.6%
PRC	**123**	102	**15%**	30.4%
The Philippines	**22**	18	**0%**	0%
Employee level				
Senior management[2]	**8**	8	**N/A**	N/A
Middle management	**67**	75	**N/A**	N/A
Supervisor	**6**	4	**N/A**	N/A
General Staff	**161**	118	**N/A**	N/A

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

2 During the Reporting Period, the 4 Executive Directors included Mr. Lim Kai Seng who resigned on 31 March 2024. Senior employees includes Mr. Khor Why Ping, who tendered his resignation effective 30 June 2023 and excludes Mr. Wong Chee Ken who was not a senior management during FY2023 and has been regarded as senior management of the Group starting 1 January 2024.

Talent Management & Development, Environmental Training

Associated Aspect with the HKEx Guide:

B3 Development and Training

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

The Company recognizes that its employees are crucial to its success and prosperity. To foster their growth and development, we have implemented comprehensive policies for staff training and development. These policies aim to streamline the wide range of training opportunities available to our staff by categorizing them into the following groups:

Induction training for new employees

Our newly designed onboarding program is intended to provide a thorough understanding of the organisation, including our overall human resources policies, salary disbursement protocols, welfare perks, and office safety regulations. In addition, as part of our commitment to maintaining a safe and inclusive work environment, all new employees will receive annual training on crucial topics such as the prevention of harassment, discrimination, corruption, and data security. This training will be provided on their very first day of employment to ensure that they are equipped with the necessary knowledge and awareness from the outset.

Internal training

To address the training and business needs of our employees, we have established a range of internal training programs tailored to their specific roles. These programs are designed to foster personal growth and development for employees across various positions within the organisation. During the Reporting Period, a total of 28 new employees have attended courses on manufacturing license and ISO standards training. We aim to enhance and unlock the skills and potentials of our employees by providing them with opportunities to expand their knowledge and expertise, empower our workforce and equip them with the necessary skills to excel in their respective roles.

External training

The Company actively encourages and supports employees in participating in external training opportunities that align with their job requirements and the overall needs of the organisation. 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, 3 of our Executive Directors have participated in training on corporate governance, demonstrating their concerted effort to remain well-informed about current corporate standards. Moreover, our commitment to maintaining up-to-date knowledge is further exemplified by the engagement of our Independent Non-Executive Director (INED) in training focusing on accounting standards. These initiatives collectively showcase our unwavering dedication to adhering to industry best practices and fostering a culture of continuous learning within our organization. The training statistics are as shown below:

Percentage of Employees Receiving Training[3]	2023	2022
By Gender Category		
Male	**68%**	35.1%
Female	**32%**	64.9%
By Employment Category		
Senior management	**9.7%**[4]	2.7%
Middle management	**0%**	67.6%
Supervisor	**12.9%**	8.1%
General staff	**77.4%**	21.6%

Average Training Hours of Employees[5]	2023	2022
By Gender Category		
Male	**0.05 hours**	0.3 hours
Female	**0.1 hours**	1.3 hours
By Employment Category		
Senior management	**0.38 hours**[6]	0.4 hours
Middle management	**0 hours**	1.0 hours
Supervisor	**1 hours**	2.3 hours
General staff	**0.04 hours**	0.2 hours

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

4 The senior management training percentage data reported pertains exclusively to the training completed by Executive Directors.

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

6 The senior management average training hours data reported pertains exclusively to the training completed by Executive Directors.

Water Management

Associated Aspect with the HKEx Guide:

A2 Use of Resources

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

Water conservation is important in the production of cleanroom wall and ceiling systems. As a socially responsible corporation, we are committed to minimising our water consumption by adopting the following measures:

- Place water-saving posters across project sites, factory, dormitory and office premises to remind our employees to conserve water.
- Provide training and awareness programs to educate employees on the importance of preserving water. We regularly hold workshops, seminars, and training sessions to raise awareness about water-saving techniques and best practices.
- Ensure no leaking faucets within premises and promptly repair any identified leakages as soon as they are reported or identified.
- Set targets to effectively manage and control our water consumption by raising awareness among our employees about the importance of water conservation.

During the Reporting Period, there were no challenges in sourcing water that meets our production requirements. This allowed us to carry out our activities without any compromise in quality and efficiency. The Company's water consumption statistics are as shown below:

Water Consumption	**2023**	2022	2021
Water consumption (m^3)	**8113.8**	8,745.0	10,558.3
Intensity (m^3 per thousand RMB revenue)[7]	**0.14**	0.019	0.039

[7] The Company revenue in thousand RMB of the reported boundaries were approximately 57,688.19, 462,907 and 267,549 in 2023, 2022 and 2021 respectively.

Packaging Material Management

Associated Aspect with the HKEx Guide:

A2 Use of Resources

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

The Company places great importance on resource conservation, recognising its dual benefits of ecosystem preservation and enhancing market competitiveness. By prioritising resource efficiency, we aim to reduce production costs while minimising our impact on the environment. Below are the statistics of material used in the 2023 Reporting Year:

Consumption (Tonnes)	2023	2022
Plastic packaging material used	**27.4**	34.7
Paper packaging material used	**31.3**	29.5
Total packaging material used	**58.7**	64.2

Waste and Recyclables Management

Associated Aspect with the HKEx Guide:

A1 Emissions; A3 Natural Resources

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

At our corporate office, we actively promote environmentally conscious practices to minimise paper usage, such as double-sided printing, photocopying, and printing electronic correspondence only when essential. We also implemented system and electronic filings to reduce the reliance on paper.

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.

Intellectual Property Right Protection, Information Security & Personal Data Protection

Associated Aspect with the HKEx Guide:

B6 Product Responsibility

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

We implemented a strict policy of zero tolerance towards any violation of customer privacy or disclosure of confidential information. We do not collect personal data from customers. Instead, we only record business contacts and emails. To safeguard the confidentiality of customer and project information, we have established comprehensive guidelines on the collection, usage, protection, and disclosure of sensitive data. We also implemented several actions within the Information Technology system, including firewalls, anti-virus software, and anti-spam solutions to prevent unauthorized access and protect against potential threats.

The Company also pledge to protect intellectual property rights and comply with all applicable laws and regulations in the countries where we operate. This includes compliance with intellectual property laws and regulations related to copyrights and proprietary software licenses. Our employees are legally obligated to comply with global and local statutes governing intellectual property, ensuring the protection of copyrights and 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.

Energy Efficiency

Associated Aspect with the HKEx Guide:

A2 Use of Resources

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

The Company places great importance on resource conservation as it benefits both the ecosystem and enhances our market competitiveness. We aim to reduce production costs and minimize our environmental impact.

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 utilise certified energy-efficient appliances and equipment to address the risks associated with climate change. Employees are expected to activate power-saving modes on electronic devices and maintain air-conditioned room temperatures within the range of 20°C–25.5°C.

The Company is proactive in investing in energy efficiency projects, which include adding or replacing equipment and retrofitting existing facilities. We aim to reduce electricity consumption by prioritising the adoption of energy-efficient equipment and lighting solutions. Through these initiatives, we have successfully controlled energy consumption for production, ensuring it remains well within 100 kWh per square meter of product. This achievement is a testament to our commitment to sustainable practices and responsible energy management.

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

Energy Consumption	**2023**	2022	2021
Indirect consumption (electricity) ('000 kWh)	**335.9**	334.9	312.3
Intensity (kWh per thousand RMB revenue)[8]	**5.82**	0.72	1.17

8 The Company revenue in thousand RMB of the reported boundaries were approximately 57,688.19, 462,907 and 267,549 in 2023, 2022 and 2021 respectively.

STANDARD ESG DISCLOSURES

A. ENVIRONMENTAL

We embrace our role in environmental protection as a fundamental responsibility. We are committed to protecting the Earth and promoting the principles of environmental sustainability throughout our business operations. Our objective is to foster a green culture within our value chain, striving to minimise the Company's emissions and generate a positive impact on the environment.

Environmental Targets

In response to our identified potential ESG risks in our business, our Group collaborate with consultant in our target-setting process during the Reporting Year. We have developed quantitative and qualitative targets to reduce the carbon footprint of our operations, demonstrating our commitment to environmental protection and climate change mitigation. These targets were presented to the Board for their approval, ensuring the targets were approved by our highest decision-making body and providing a clear mandate for their execution.

Environmental targets	Details	Achievement timeline
Energy reduction	Limit operation hours of the air-conditioning system	By 2024
GHG emission reduction	Implement LED lighting system at the Malaysia office	By 2025
Water reduction	Implement water-efficient fixtures to reduce water flow	By 2025
Packaging material reduction	Improve product design to reduce the use of packaging material	By 2026

Emissions, Waste Air and Effluent Management

Associated Aspect with the HKEx Guide:

A1 Emissions; A3 The Environment & Natural Resources

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

With the global shift towards emissions reduction and the growing emphasis on a low-carbon economy, the Company actively supports clean production by implementing efficient production technologies and adopting new management approaches.

As part of our commitment to environmental sustainability and in response to the global imperative to reduce greenhouse gas emissions, the Company prioritise the adoption of energy-efficient equipment and implements effective lighting arrangements to minimise indirect greenhouse gas emissions resulting from electricity consumption. Throughout the Reporting Period, the Company abided by relevant laws and regulations, including Malaysia's Environment Quality Act and the 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 played a significant role in guiding our operations, particularly in managing and mitigating air and greenhouse gas emissions, as well as the proper disposal of waste into water and land. During the Reporting Period, illegal cases regarding air emissions, waste emissions and effluent emissions have not been found. Although the Company does not generate significant emissions of waste air and does not produce hazardous and non-hazardous waste, we remain committed to continuously monitoring our operations and implementing proactive measures to uphold our environmental responsibility when needed.

GHG Emissions (tCO_2eq)	2023	2022	2021
Scope 1 Direct Emission [9]	**0**	0	0
Scope 2 Energy Indirect Emission [10&11]	**209.1**	210.4	217.7
Total	**209.1**	210.4	217.7

9 Scope 1 means the direct GHG emissions occurring from sources that are controlled or owned by an organization. During 2023, 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 2023, electricity consumption is the core emissions source of Scope 2.

11 The calculation is based on the latest emission factor from the Environmental Affairs Office Climate Letter 2023 No. 43 issued by the General Office of the Ministry of Ecology and Environment of the PRC and the latest emission factors for grid electricity that is issued by the Institute for Global Environmental Strategies (IGES).

Climate Change

Associated Aspect with the HKEx Guide:

A4 Climate Change

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

The Company recognizes the significant impact its business operations and natural resource usage can have on the environment. We are dedicated to protecting the environment and mitigating the effects of climate change. In addition to adhering to relevant regulations and globally recognized standards, we have embedded climate change principles into our internal management and project implementation processes.

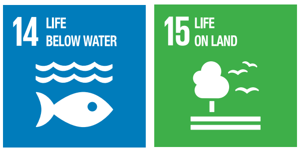
In our commitment to minimise the environmental impact of our operations, the Company continues ongoing monitoring of potential environmental effects. We closely track greenhouse gas emissions during our operations and actively seek ways to reduce our environmental footprint at the source. In the meantime, our management conducts comprehensive assessments of climate-related risks across our operations and value chains. We recognise the potential impact of climate change on our business, particularly in regions such as South and Southeast Asia, where natural hazards and extreme weather conditions like floods, typhoons, and strong winds are increasingly prevalent. To address these risks, the Group has established contingency plans that involve rearranging manpower, implementing precautionary measures to ensure staff safety during adverse weather conditions, and following local authorities' guidance to prevent property damage. Furthermore, the increasing demand for low-carbon products and operations, coupled with stricter requirements, presents potential risks during our business transition. However, we view these challenges as opportunities for growth and progress. We actively collaborate with our customers and business partners to explore innovative solutions that can not only mitigate these risks but also transform them into opportunities.

The Environment and Natural Resources

Associated Aspect with the HKEx Guide:

A3 The Environment and Natural Resources

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



Recognizing the importance of collaboration with various stakeholders, the Company acknowledges that sustainable development is best achieved through collective efforts. We adopt a range of measures to reduce emissions and enhance resource efficiency, such as prioritising the adoption of energy-efficient equipment and regularly evaluating and streamlining production processes.

In addition to these operational initiatives, we actively promote environmental awareness among our employees and encourage them to embrace environmentally responsible practices in their work. By fostering a culture of sustainability within our workforce, we aim to maximise our positive impact on the environment.

During the Reporting Period, the Company had no significant impact of activities on the environment and natural resources.

B. SOCIAL

Labour Standards

Associated Aspect with the HKEx Guide:

B4 Labour Standard

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

The Company adopted a zero-tolerance attitude towards child labour and coerced labour for its business operations in the PRC, the Philippines and Malaysia. We conduct an annual review specifically focusing on child and forced labour practices. This ensures that our operations remain free from such malpractices and allows us to initiate systematic improvements if any such malpractice is identified.

The Company also prohibit any form of forced labour or child labour and prioritises their prevention as a matter of utmost importance. We implement rigorous procedures during the hiring process, conducting thorough checks of supporting documents related to applicants' age and adopting effective procedures to ensure that candidates have reached the minimum statutory age for work. Meanwhile, we prohibit any form of forced labour or work. Our commitment is to ensure that all employees engage in labour willingly, without any use of force, bondage, punishment, imprisonment, or threats of violence.

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

Corporate Governance & Risk Management

Associated Aspect with the HKEx Guide:

B7 Anti-Corruption

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

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The company is dedicated to upholding business integrity. The employees' code of conduct clearly outlines the requirements and guidelines for addressing conflicts of interest.

In 2019, we established a comprehensive fraud risk assessment and whistleblowing policy. This enables us to develop controls that detect and prevent fraud against the Company. It also encourages employees, customers, suppliers, and other stakeholders with a business relationship with the Company to report any concerns or suspicions of misconduct or malpractice. We value their input and provide a platform for them to voice their concerns. Monitoring and reviewing the operation of the policy, as well as investigating complaints, fall under the purview of our Audit Committee. They take overall accountability while delegating day-to-day oversight and implementation responsibilities to the Risk Management Committee. The Risk Management Committee comprises the Group Chairman and senior management officials, who ensure effective governance and adherence to the policy.

To ensure rigorous risk management, the Group remains committed to organizing training focused on integrity and anti-corruption for Directors and employees. These trainings serve to familiarize all Directors and staff members with the Company's policies pertaining to anti-corruption and business ethics, reinforcing the significance of integrity and trustworthiness. The training provided by the Group encompasses a wide range of topics, including the prevention of bribery, conflict of interest declaration, extortion prevention, money laundering prevention, and fraud prevention policies, to enhance their awareness of business ethics and foster a culture of ethical conduct throughout the organization.

The Company also complied 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.

	2023	2022
Number of concluded legal cases regarding corrupt practices brought against the Company	**0**	0

Caring for the Community

Associated Aspect with the HKEx Guide:

B8 Community Investment

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

1 NO POVERTY

4 QUALITY EDUCATION

The Company integrates community investment into its operations to build trust with relevant stakeholders. We actively seek opportunities to collaborate with reputable organizations in supporting community programs that align with the needs and expectations of the local community. Additionally, we encourage our employees to actively participate in community initiatives.

During the Reporting Period, the Company did not contribute to any community investment. We will continue to regularly review our objectives for community investment and actively explore opportunities to support and invest in the communities where we operate.

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 Recyclables Management • Emissions, Waste air and Effluent Management
KPI A1.1	The types of emissions and respective emissions data.	The production process does not involve waste air 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 Recyclables 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 emissions target(s) set and steps taken to achieve them.	• Waste and Recyclables Management • Emissions, Waste air and Effluent Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	• Waste and Recyclables Management • Emissions, Waste air and Effluent Management

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 target(s) set and steps taken to achieve them.	• Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	• 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

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 & Welfare
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Employee Benefits & Welfare
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• Employee Benefits & Welfare

HKSE ESG Reporting Guide	Description	Chapter
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 & Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	• Occupational Health & Safety
KPI B2.2	Lost days due to work injury.	• Occupational Health & Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Occupational Health & Safety
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 & Development, Environmental Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	• Talent Management & Development, Environmental Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	• Talent Management & Development, Environmental Training

HKSE ESG Reporting Guide	Description	Chapter
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, and Green Procurement
KPI B5.1	Number of suppliers by geographical region.	• Procurement & Supply Chain Management, and Green Procurement
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	• Procurement & Supply Chain Management, and Green Procurement

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 & Product Safety
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	• Product, Service Quality & Product Safety
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	• Product, Service Quality & 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 & Product Safety
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	• Intellectual Property Right Protection, 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 consider the communities' interests.	• Caring for the Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	There were no resources contributed during the Reporting Period.
KBI B8.2	Resources contributed (e.g. money or time) to the focus area.	There were no resources contributed during the Reporting Period.

Grant Thornton
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To the shareholders of CM Hi-Tech Cleanroom Limited (formerly known as Channel Micron Holdings Company Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CM Hi-Tech Cleanroom Limited (formerly known as Channel Micron Holdings Company Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 103 to 179, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 2.13 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 RMB246,358,000, which represented 69% of the Group's total revenues.	Our audit procedures in relation to the revenue recognition from cleanroom projects included the followings: • 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's 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 2.6 to the consolidated financial statements, the Group recognised an ECL allowance of 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. In addition, debtors with different credit risk characteristics are assessed for ECL allowance individually. As disclosed in notes 18 and 19.1 to the consolidated financial statements, net trade receivables and contract assets amounted to RMB77,108,000 and RMB128,537,000 as at 31 December 2023, respectively. The Group recognised provision of ECL allowance of RMB542,000 and RMB2,717,000 on trade receivables and contract assets, respectively, for the current year. As at 31 December 2023, the Group's ECL on trade receivables and contract assets amounted to RMB5,502,000 and RMB9,319,000 respectively.	Our audit procedures in relation to the ECL assessment of trade receivables and contract assets included the followings: • obtained an understanding of the Group's process and control over credit risk assessment and how management estimates the ECL allowance of trade receivables and contract assets; • assessed the appropriateness of ECL model used by management in calculating the ECL allowance of trade receivables and contract assets with the assistance from our internal 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 management's basis and judgment in determining the ECL allowance of trade receivables and contract assets, including the appropriateness of classification in the provision matrix on a sample basis and their identification of debtors with different credit risk characteristics, and the reasonableness of the ECL rates, taking into consideration of historical loss rates and forward-looking information with the assistance from our internal 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 2023 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.

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

(Continued)

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

27 March 2024

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Revenue	5	**356,570**	462,907
Cost of sales		**(243,629)**	(313,310)
Gross profit		**112,941**	149,597
Other income	6	**3,162**	5,311
Other gains and losses	7	**2,820**	4,557
Selling and distribution costs		**(7,890)**	(16,896)
Administrative and other operating expenses		**(30,180)**	(37,840)
(Provision for)/Reversal of credit losses of trade receivables, net	9	**(542)**	3,265
(Provision for)/Reversal of credit losses of contract assets, net	9	**(2,717)**	445
Research and development expenses		**(7,453)**	(12,032)
Finance costs	8	**(1,157)**	(2,730)
Profit before income tax	9	**68,984**	93,677
Income tax expense	11	**(14,125)**	(18,267)
Profit for the year		**54,859**	75,410
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of freehold land and building held for own use		**501**	1,009
Deferred tax arising from revaluation of freehold land and building		**(120)**	(242)
		381	767
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(331)**	6,501
Other comprehensive income for the year, net of tax		**50**	7,268
Total comprehensive income for the year		**54,909**	82,678

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**54,609**	74,955
Non-controlling interests		**250**	455
		54,859	75,410
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**54,659**	82,223
Non-controlling interests		**250**	455
		54,909	82,678
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	14	**3.90**	5.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**79,957**	75,240
Deferred tax assets	25	**5,052**	4,606
		85,009	79,846
Current assets			
Inventories	17	**47,805**	40,484
Trade and other receivables	18	**94,525**	75,874
Contract assets	19	**128,537**	104,620
Amounts due from related parties	20	**1,310**	374
Income tax recoverable		**5,332**	4,222
Pledged bank deposits	21	**1,482**	1,552
Cash and cash equivalents	21	**134,372**	160,084
		413,363	387,210
Current liabilities			
Trade and other payables	22	**99,738**	94,860
Contract liabilities	19	**4,612**	5,255
Amounts due to related parties	20	**72**	73
Lease liabilities	23	**3,773**	2,708
Borrowings	24	**59,056**	60,483
Income tax payable		**2,928**	7,912
		170,179	171,291
Net current assets		**243,184**	215,919
Total assets less current liabilities		**328,193**	295,765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Non-current liabilities			
Lease liabilities	23	**3,348**	1,033
Deferred tax liabilities	25	**2,609**	2,727
		5,957	3,760
Net assets		**322,236**	292,005
EQUITY			
Share capital	26	**12,152**	12,152
Reserves	27	**309,222**	278,716
Equity attributable to equity holders of the Company		**321,374**	290,868
Non-controlling interests		**862**	1,137
Total equity		**322,236**	292,005

Ng Yew Sum
Director

Chin Sze Kee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

	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 2023	12,152	64,379	38,346	14,421	(2,217)	12,964	150,823	290,868	1,137	292,005
Dividend paid (note 13)	–	–	–	–	–	–	(24,153)	(24,153)	(525)	(24,678)
Transfer from capital reserve	–	–	(5,000)	–	–	–	5,000	–	–	–
Transactions with equity holders	–	–	(5,000)	–	–	–	(19,153)	(24,153)	(525)	(24,678)
Profit for the year	–	–	–	–	–	–	54,609	54,609	250	54,859
Other comprehensive income/ (expense) for the year:										
Surplus on revaluation of freehold land and building held for own use	–	–	–	–	–	501	–	501	–	501
Deferred tax arising from revaluation of freehold land and building	–	–	–	–	–	(120)	–	(120)	–	(120)
Exchange differences on translation of foreign operations	–	–	–	–	(331)	–	–	(331)	–	(331)
Total comprehensive income for the year	–	–	–	–	(331)	381	54,609	54,659	250	54,909
As at 31 December 2023	12,152	64,379	33,346	14,421	(2,548)	13,345	186,279	321,374	862	322,236

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Profit before income tax		**68,984**	93,677
Adjustments for:			
Depreciation of property, plant and equipment	9	**4,793**	3,955
Gain on disposal of property, plant and equipment, net	7	**(1)**	(316)
Write-off of property, plant and equipment	9	**76**	29
(Surplus)/Deficit on revaluation of freehold land	9	**(2,233)**	2,201
Loss/(Gain) on lease termination	7	**5**	(8)
Provision for/(Reversal of) ECL allowance of trade receivables, net	9	**542**	(3,265)
Provision for/(Reversal of) ECL allowance of contract assets, net	9	**2,717**	(445)
Provision for ECL allowance of other receivables	9	**–**	13
Write-down of inventories to net realisable value, net	9	**285**	469
Unrealised exchange losses, net		**1,302**	2,596
Interest expense	8	**1,157**	2,730
Interest income	6	**(913)**	(1,133)
Operating profit before working capital changes		**76,714**	100,503
Increase in inventories		**(8,007)**	(8,169)
(Increase)/Decrease in trade and other receivables		**(19,826)**	22,730
Increase in contract assets		**(26,644)**	(29,903)
Increase in trade and other payables		**5,229**	14,643
Decrease in contract liabilities		**(588)**	(9,794)
Cash generated from operations		**26,878**	90,010
Income taxes paid		**(20,971)**	(17,951)
Net cash generated from operating activities		**5,907**	72,059
Cash flows from investing activities			
Purchase of property, plant and equipment		**(762)**	(1,215)
Proceeds from disposal of property, plant and equipment		**9**	480
Purchase of bank wealth management products		**(126,000)**	(139,500)
Proceeds from disposal of bank wealth management products		**126,000**	139,500
Change in pledged bank deposits		**64**	87
Interest received		**913**	1,133
Net cash generated from investing activities		**224**	485

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		**–**	65
Change in amounts due from related parties		**(945)**	(166)
Change in amounts due to related parties	31	**–**	8
Proceeds from borrowings	31	**18,000**	18,000
Repayment of borrowings	31	**(18,775)**	(20,766)
Interest paid	8	**(1,157)**	(2,730)
Repayment of capital element of leases	31	**(3,744)**	(2,695)
Dividends paid	13	**(24,678)**	(16,595)
Net cash used in financing activities		**(31,299)**	(24,879)
Net (decrease)/increase in cash and cash equivalents		**(25,168)**	47,665
Cash and cash equivalents at the beginning of the year		**160,084**	110,259
Effect of foreign exchange rate changes		**(544)**	2,160
Cash and cash equivalents at the end of the year		**134,372**	160,084

1. GENERAL INFORMATION

CM Hi-Tech Cleanroom Limited (formerly known as 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, Yap Chui Fan, 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 2023 were approved for issue by the board of directors on 27 March 2024.

2. SUMMARY OF MATERIAL 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 material 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 MATERIAL 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.

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

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

2.2 Basis of consolidation *(Continued)*

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

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

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

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

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

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

2.3 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.4 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 2.10) 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 2.10.

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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.5 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.

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 ECL of trade and other receivables which is presented as separate items in consolidated profit and loss and other comprehensive income.

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

2.5 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.5 Financial instruments *(Continued)*

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 2.10.

2.6 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.

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

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

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

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

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

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

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

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

Trade receivables and contract assets

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

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

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

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

Other financial assets measured at amortised cost

The Group measures the ECL allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

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.

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

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

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

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.

2.7 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.

2.8 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.

2.9 Contract assets and contract liabilities

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. Contract assets are assessed for ECL in accordance with the policy set out in note 2.6 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. 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.

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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.10 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.10 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. 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.

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 months 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 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.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Revenue recognition and other contract costs

(a) Revenue from contracts with customers

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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.13 Revenue recognition and other contract costs *(Continued)*

(a) Revenue from contracts with customers *(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.

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

Sales of goods

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

Cleanroom projects

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

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

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

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

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

2.13 Revenue recognition and other contract costs *(Continued)*

(a) Revenue from contracts with customers *(Continued)*

Cleanroom projects (Continued)

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that goods or services is transferred to a customer.

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.

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

2.13 Revenue recognition and other contract costs *(Continued)*

(b) Other contract costs

Costs to fulfil a contract

Contract costs are either the costs to fulfil a contract or the incremental costs of obtaining a contract.

If the costs incurred in fulfilling a contract with a customer which are not capitalised as inventories, property, plant and equipment and intangible assets, the Group capitalises the costs incurred to fulfil a contract with a customer as an asset (included in other receivables in the consolidated statement of financial position) if all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

An asset is amortised and charged to profit or loss on a systematic basis (i.e. over the period of construction contracts that is consistent with the transfer to the customer of the goods or services to which the asset relates. The asset is subject to impairment review. Other costs of fulfilling a contract, which are not capitalised, are expensed as incurred.

2.14 Government grants

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

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

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

2.15 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.16 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 end of the reporting period.

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

2.17 Borrowing costs

Borrowing costs are expensed when incurred.

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

2.18 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 and does not give rise to equal taxable and deductible temporary differences.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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.

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

2.18 Accounting for income taxes *(Continued)*

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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.19 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.20 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.21 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.

All other development costs are expensed as incurred.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and 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 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except for those mentioned below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments. The key impact of the Group relates to disclosure of components of deferred tax assets and liabilities in note 25 of the consolidated financial statements.

3.2 Issued but not yet effective HKFRSs

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

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[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
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 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 2023, the aggregate carrying amount of the Group's freehold land and building carried at revalued amount was RMB67,564,000 (2022: RMB65,972,000), based on the valuations performed by independent qualified professional valuers. 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 valuers determine 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 2023, the carrying amount of inventories amounted to RMB47,805,000, net of provision for inventories of RMB2,326,000 (2022: RMB40,484,000, net of provision for inventories of RMB2,060,000).

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 2.6.

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 2023, the aggregate carrying amount of trade and other receivables, contract assets and other financial assets measured at amortised costs amounted to RMB351,048,000, net of ECL allowance of RMB14,866,000 (2022: RMB334,531,000, net of ECL allowance of RMB11,623,000).

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:

	2023 **RMB'000**	2022 RMB'000
Timing of revenue recognised over time		
— Cleanroom projects	**246,358**	257,987
Timing of revenue recognised at a point in time		
— Sales of goods	**110,212**	204,920
	356,570	462,907

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, 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 years ended 31 December 2023 and 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 2023				
Reportable segment revenue	**328,094**	**21,951**	**6,525**	**356,570**
Reportable segment cost of sales	**(226,368)**	**(13,866)**	**(3,395)**	**(243,629)**
Reportable segment gross profit	**101,726**	**8,085**	**3,130**	**112,941**
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

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.

	2023 **RMB'000**	2022 RMB'000
Revenue from external customers		
— The PRC (excluding Hong Kong)	**202,853**	281,615
— Malaysia	**102,586**	84,404
— Philippines	**18,113**	48,763
— Singapore	**18,261**	26,414
— The United Kingdom	**9,040**	464
— The United States	**–**	8,308
— Germany	**–**	7,708
— Others	**5,717**	5,231
	356,570	462,907

	2023 **RMB'000**	2022 RMB'000
Specified non-current assets		
— The PRC (excluding Hong Kong)	**5,750**	4,625
— Malaysia	**73,976**	70,396
— Others	**231**	219
	79,957	75,240

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:

	2023 RMB'000	2022 RMB'000
Customer 1	**60,958**	N/A*
Customer 2	**57,199**	N/A*
Customer 3	**42,982**	75,936
Customer 4	**N/A***	58,445

* 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

	2023 RMB'000	2022 RMB'000
Bank interest income	**913**	1,133
Government grants (note)	**1,445**	2,348
Insurance income	**–**	1,036
Sundry income	**804**	794
	3,162	5,311

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

7. OTHER GAINS AND LOSSES

	2023 **RMB'000**	2022 RMB'000
Gain on disposal of property, plant and equipment, net	**1**	316
Surplus on revaluation of freehold land	**2,233**	–
(Loss)/Gain on lease termination	**(5)**	8
Exchange gains, net	**591**	4,233
	2,820	4,557

8. FINANCE COSTS

	2023 **RMB'000**	2022 RMB'000
Interest charges on:		
— bank loans	**980**	2,580
— lease liabilities	**177**	150
	1,157	2,730

9. PROFIT BEFORE INCOME TAX

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

	2023 RMB'000	2022 RMB'000
Auditors' remunerations		
— audit services	1,703	1,634
— non-audit services	217	206
Cost of inventories recognised as an expense, including	167,827	233,222
— write-down of inventories to net realisable value, net	285	469
Depreciation of property, plant and equipment on:		
— owned assets	1,183	1,212
— right-of-use assets	3,610	2,743
Provision for/(Reversal of) ECL allowance of trade receivables, net	542	(3,265)
Provision for/(Reversal of) ECL allowance of contract assets, net	2,717	(445)
Provision for ECL allowance of other receivables	–	13
Research and development expenses (including staff costs)	7,453	12,032
(Surplus)/Deficit on revaluation of freehold land	(2,233)	2,201
Short-term leases charges	930	751
Write-off of property, plant and equipment	76	29
Exchange gains, net	(591)	(4,233)

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits	35,380	35,001
Retirement scheme contributions (note)	3,337	3,330
	38,717	38,331

Note: As at 31 December 2023 and 2022, 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% (2022: 24%) on the estimated assessable profit for the year ended 31 December 2023 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% (2022: 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 2% (2022: 1%) minimum corporate income tax on gross income or tax equivalent to 25% (2022: 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% (2022: 25%) on the estimated assessable profit for the year ended 31 December 2023 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% (2022: 15%) on its estimated assessable profit for the year ended 31 December 2023.

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% (2022: 200%) for the year ended 31 December 2023 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the year ended 31 December 2023 ("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 2023 and 2022.

11. INCOME TAX EXPENSE *(Continued)*

	2023 RMB'000	2022 RMB'000
Current tax		
The PRC EIT		
— Current year	**5,970**	9,073
— Over-provision in respect of prior years	**–**	(9)
Malaysian Income Tax		
— Current year	**8,176**	7,192
— Over-provision in respect of prior years	**–**	(735)
Philippines Income Tax		
— Current year	**671**	684
— Under-provision in respect of prior years	**92**	–
	14,909	16,205
Deferred tax		
— Current year (note 25)	**(784)**	2,364
— Effect on change in tax rate (note 25)	**–**	(302)
	(784)	2,062
Income tax expense	**14,125**	18,267

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

	2023 RMB'000	2022 RMB'000
Profit before income tax	**68,984**	93,677
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**15,676**	17,635
Tax effects on:		
— non-taxable income	**(1,002)**	(1,277)
— non-deductible expenses	**443**	4,725
— Super Deduction of research and development expenses	**(1,084)**	(1,770)
— deferred tax balances resulting from change in tax rate	**–**	(302)
— Under/(Over)-provision in respect of prior years	**92**	(744)
Income tax expense	**14,125**	18,267

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 2023					
Executive directors					
Ng Yew Sum	**150**	**981**	**1,619**	**251**	**3,001**
Law Eng Hock	**100**	**970**	**960**	**6**	**2,036**
Lim Kai Seng	**100**	**485**	**853**	**160**	**1,598**
Chin Sze Kee	**100**	**542**	**853**	**163**	**1,658**
Non-executive directors					
Ng Seng Leong	**101**	**–**	**–**	**–**	**101**
Wu Chun Sing	**101**	**–**	**–**	**–**	**101**
Martin Giles Manen	**120**	**–**	**–**	**–**	**120**
	772	**2,978**	**4,285**	**580**	**8,615**
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

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 2023 and 2022. 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 2023 include four (2022: four) directors whose emoluments are disclosed in note 12.1. The emoluments to the remaining one (2022: one) individual are set out below.

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and other benefits	**596**	396
Discretionary bonuses	**70**	468
Retirement scheme contributions	**75**	–
	741	864

The emolument fell within the following band:

	Number of individual **2023**	 2022
Emolument band		
Nil — HK$1,000,000	**1**	1

During the years ended 31 December 2023 and 2022, 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 2023 and 2022.

13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends to equity holders	**24,153**	16,595
Dividends to non-controlling interests	**525**	–
	24,678	16,595

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.

Pursuant to a written resolution passed by the directors of the Company on 15 February 2023 and 30 March 2023, a special dividend and a final dividend of HK0.46 cents per share and HK0.70 cents per share, respectively, in respect of the year ended 31 December 2022 have been declared and paid.

Pursuant to a written resolution passed by the directors of the Company on 30 August 2023, an interim dividend of HK0.75 cents per share in respect of the six months ended 30 June 2023 has been declared and paid.

The final dividend of HK0.53 cents per share has been proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2023.

14. EARNINGS PER SHARE

	2023 RMB'000	2022 RMB'000
Earnings		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**54,609**	74,955
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 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 and 1 January 2023								
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)
Net carrying amount	4,251	57,291	8,681	685	77	60	4,195	75,240
Year ended 31 December 2023								
Opening net carrying amount	**4,251**	**57,291**	**8,681**	**685**	**77**	**60**	**4,195**	**75,240**
Additions	**3,326**	**–**	**–**	**401**	**19**	**127**	**215**	**4,088**
Disposals	**–**	**–**	**–**	**(3)**	**–**	**–**	**(5)**	**(8)**
Written off	**–**	**–**	**–**	**(23)**	**–**	**–**	**(53)**	**(76)**
Termination of lease	**(38)**	**–**	**–**	**–**	**–**	**–**	**–**	**(38)**
Modification of lease	**3,854**	**–**	**–**	**–**	**–**	**–**	**–**	**3,854**
Revaluation surplus	**–**	**2,718**	**16**	**–**	**–**	**–**	**–**	**2,734**
Depreciation	**(3,610)**	**–**	**(172)**	**(220)**	**(33)**	**(185)**	**(573)**	**(4,793)**
Exchange realignment	**(26)**	**(845)**	**(125)**	**(2)**	**(2)**	**2**	**(46)**	**(1,044)**
Closing net carrying amount	**7,757**	**59,164**	**8,400**	**838**	**61**	**4**	**3,733**	**79,957**
As at 31 December 2023								
Cost	**22,229**	**–**	**–**	**2,671**	**1,535**	**1,309**	**9,979**	**37,723**
Valuation	**–**	**59,164**	**8,400**	**–**	**–**	**–**	**–**	**67,564**
Accumulated depreciation	**(14,472)**	**–**	**–**	**(1,833)**	**(1,474)**	**(1,305)**	**(6,246)**	**(25,330)**
Closing net carrying amount	**7,757**	**59,164**	**8,400**	**838**	**61**	**4**	**3,733**	**79,957**

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 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 and 1 January 2023	2,936	275	1,040	4,251
Additions	**–**	**3,326**	**–**	**3,326**
Termination of lease	**–**	**(38)**	**–**	**(38)**
Modification of lease	**3,854**	**–**	**–**	**3,854**
Depreciation	**(2,393)**	**(855)**	**(362)**	**(3,610)**
Exchange realignment	**–**	**(9)**	**(17)**	**(26)**
Net carrying amount as at 31 December 2023	**4,397**	**2,699**	**661**	**7,757**

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 2023					
Plant	**2**	**0* to 1 year**	**1**	**–**	**2**
Office premises and staff quarters	**4**	**0* to 1 year**	**4**	**–**	**4**
Motor vehicles	**3**	**1 to 5 years**	**–**	**3**	**3**
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

* 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:

	2023 RMB'000	2022 RMB'000
Cost	**50,775**	51,388
Accumulated depreciation	**(2,760)**	(2,657)
Net carrying amount	**48,015**	48,731

Bank loans are secured by the legal charges over the freehold land and building with the aggregate carrying amount of RMB67,564,000 (2022: RMB65,972,000) (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 2023				
Recurring fair value measurement				
Freehold land outside Hong Kong	**–**	**59,164**	**–**	**59,164**
Building outside Hong Kong	**–**	**–**	**8,400**	**8,400**
	–	**59,164**	**8,400**	**67,564**
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

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2023 (2022: Nil).

The Group's freehold land and building were revalued as at 31 December 2023 by the independent qualified professional valuers, Rahim & Co International Sdn. Bhd. and One Asia Property Consultants (PJ) Sdn. Bhd. (2022: Rahim & Co International Sdn. Bhd.). The Group's finance department reviews the valuations performed by the independent qualified professional valuers 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 2023	2022
Level 2				
Freehold land outside Hong Kong (note a)	Market comparison approach	Price per square feet	**Malaysian Ringgit ("RM") 164 to RM200**	RM140 to RM195
Level 3				
Building outside Hong Kong (note b)	Cost approach	Replacement costs per square feet	**RM110 to RM190**	RM105 to RM190
		Depreciation rates	**26% to 33%**	24% to 31%

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:

	2023 RMB'000	2022 RMB'000
Level 2		
Freehold land outside Hong Kong		
Fair value at the beginning of the year	**57,291**	57,091
Surplus/(Deficit) on revaluation recognised in profit or loss	**2,233**	(2,201)
Surplus on revaluation recognised in other comprehensive income (note)	**485**	795
Exchange realignment	**(845)**	1,606
Net carrying amount	**59,164**	57,291
Level 3		
Building outside Hong Kong		
Fair value at the beginning of the year	**8,681**	8,391
Depreciation	**(172)**	(168)
Surplus on revaluation recognised in other comprehensive income (note)	**16**	214
Exchange realignment	**(125)**	244
Net carrying amount	**8,400**	8,681

Note: Surplus on revaluation on freehold land and building is recognised in other comprehensive income and included under "revaluation reserve" in equity.

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2023 and 2022 are as follows:

Company name	Place of incorporation/ establishment/ operation	Registered/Issued and fully paid up capital	Equity interest attributable to the Group		Principal activity
			2023	2022	
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.* 捷能系统建材 (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	**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		Principal activity
			2023	2022	
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

	2023 RMB'000	2022 RMB'000
Raw materials	**35,279**	33,194
Finished goods	**12,526**	7,290
	47,805	40,484

As at 31 December 2023, the inventories with carrying amount of RMB6,179,000 (2022: RMB6,295,000) were carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**82,610**	66,007
Less: ECL allowance	**(5,502)**	(4,978)
	77,108	61,029
Bill receivables	**4,003**	3,124
	81,111	64,153
Other receivables		
— Prepayments	**2,270**	3,526
— Other tax receivables	**6,908**	4,447
— Other receivables (note)	**3,085**	2,452
— Rental and other deposits	**1,196**	1,341
	13,459	11,766
Less: ECL allowance	**(45)**	(45)
	13,414	11,721
	94,525	75,874

Note: Other receivables include RMB619,000 (2022: RMB424,000) paid to Sum Technic Sdn. Bhd. ("Sum Technic") (as defined in note 20) for the preparation work on construction.

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 (2022: 0 to 90 days). Based on the invoice dates, the ageing analysis of trade receivables, net of ECL allowance, is as follows:

	2023 **RMB'000**	2022 RMB'000
0–90 days	**55,778**	34,037
91–180 days	**11,880**	21,401
181–365 days	**1,784**	3,408
Over 365 days	**7,666**	2,183
	77,108	61,029

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

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**4,978**	8,154
Net provision for/(reversal of) ECL allowance recognised during the year	**542**	(3,265)
Exchange realignment	**(18)**	89
At the end of the year	**5,502**	4,978

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

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**45**	32
ECL allowance recognised during the year	**–**	13
At the end of the year	**45**	45

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

19.1 Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets arising from		
— Cleanroom projects (notes a, c)	**137,144**	109,610
— Sales of goods (notes b, c)	**712**	1,610
Less: ECL allowance	**(9,319)**	(6,600)
	128,537	104,620

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% (2022: 10-15%) 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% (2022: 5% 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% (2022: 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 2023, the carrying amount of contract assets that is expected to be recovered after more than one year is RMB3,453,000 (2022: RMB18,001,000), 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 2023, RMB65,955,000 (2022: RMB68,564,000) 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:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	**6,600**	7,065
Net provision for/(reversal of) ECL allowance recognised during the year	**2,717**	(445)
Exchange realignment	**2**	(20)
At the end of the year	**9,319**	6,600

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

19.2 Contract liabilities

	2023 **RMB'000**	2022 RMB'000
Contract liabilities arising from		
— Cleanroom projects from billings in advance of performance	**728**	1,466
— Receiving deposits of manufacturing orders	**3,884**	3,789
	4,612	5,255

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 15% (2022: 30%) deposit on acceptance of manufacturing orders during the year ended 31 December 2023.

As at 31 December 2023, none of the contract liabilities that is expected to be settled after more than one year (2022: Nil).

The decrease of contract liabilities as at 31 December 2023 is mainly due to the decrease in the billings in advance of performance from cleanroom projects during the reporting period.

Contract liabilities outstanding at the beginning of the year amounted to RMB5,212,000 (2022: RMB12,539,000) have been recognised as revenue during the year ended 31 December 2023.

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:

	2023 **RMB'000**	2022 RMB'000
Within one year	**62,290**	39,529
More than one year	**17,430**	14,064
	79,720	53,593

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

	2023 RMB'000	2022 RMB'000
Amounts due from related companies		
— Sum Technic (note)	**1,290**	374
— Micronaire Global Sdn. Bhd. (note)	**20**	–
	1,310	374

(b) Amounts due to related parties

	2023 RMB'000	2022 RMB'000
Amount due to the Controlling Shareholder		
— Lim Kai Seng	**58**	59
Amount due to a shareholder		
— Luah Kok Lam	**14**	14
	72	73

Note: Sum Technic and Micronaire Global Sdn. Bhd. ("Micronaire Global") are related companies of the Group, in which certain directors of the Company are also the members of key management personnel of the related companies.

21. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 **RMB'000**	2022 RMB'000
Pledged bank deposits (note a)	**1,482**	1,552
Cash and cash equivalents (note b and c)	**134,372**	160,084

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 (2022: 1 month to 30 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) Included in cash and cash equivalents of the Group is RMB25,171,000 (2022: RMB69,062,000) 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

	2023 **RMB'000**	2022 RMB'000
Trade payables	**77,312**	66,254
Bill payables	**3,875**	–
	81,187	66,254
Other payables		
— Accrued expenses	**9,134**	11,271
— Other tax payables	**3,102**	5,976
— Other payables (note)	**6,315**	11,359
	18,551	28,606
	99,738	94,860

Note: Other payables mainly comprise sales commission payables of approximately RMB2,258,000 (2022: RMB3,641,000) and annual listing fee payables of approximately RMB1,263,000 (2022: RMB1,429,000).

22. TRADE AND OTHER PAYABLES *(Continued)*

The Group was granted by its supplier credit periods ranging from 30 to 90 days (2022: 30 to 90 days). Based on the invoice dates, the ageing analysis of trade payables is as follows:

	2023 **RMB'000**	2022 RMB'000
0–90 days	**44,414**	48,681
91–180 days	**9,140**	7,943
181–365 days	**6,924**	4,780
Over 365 days	**16,834**	4,850
	77,312	66,254

23. LEASE LIABILITIES

	2023 **RMB'000**	2022 RMB'000
Total minimum lease payments:		
— Due within one year	**4,007**	2,805
— Due after one year but within five years	**3,454**	1,069
— Due after five years	**–**	30
	7,461	3,904
Future finance charges on lease liabilities	**(340)**	(163)
Present value of lease liabilities	**7,121**	3,741
Present value of minimum lease payments:		
— Due within one year	**3,773**	2,708
— Due after one year but within five years	**3,348**	1,003
— Due after five years	**–**	30
	7,121	3,741
Less: portion due within one year included under current liabilities	**(3,773)**	(2,708)
Portion due after one year included under non-current liabilities	**3,348**	1,033

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 2023, lease liabilities amounted to RMB7,121,000 (2022: RMB3,741,000) 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 2023, lease liabilities in relation to certain motor vehicles with outstanding balances of RMB499,000 (2022: RMB655,000) and RMB43,000 (2022: RMB130,000) were guaranteed by the personal guarantees given by Ng Yew Sum and Lim Kai Seng, respectively, the Controlling Shareholders of the Company.

During the year ended 31 December 2023, the total cash outflows for the leases are RMB4,851,000 (2022: RMB3,596,000).

24. BORROWINGS

	2023 **RMB'000**	2022 RMB'000
Bank loans, wholly repayable within one year or on demand		
— Secured	**41,056**	45,483
— Unsecured	**18,000**	15,000
	59,056	60,483

As at 31 December 2023, the bank loans bear effective interest rates ranged from 3.3% to 4.4% (2022: 3.7% to 4.4%) per annum.

As at 31 December 2023, the Group's bank loans of RMB41,056,000 (2022: RMB45,483,000) 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:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	**1,879**	4,092
Credited/(Charged) to profit or loss (note 11)	**784**	(2,364)
Charged to other comprehensive income	**(120)**	(242)
Effect of change in tax rate (note 11)	**–**	302
Exchange realignment	**(100)**	91
At the end of the year	**2,443**	1,879

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	Right of use assets RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Total RMB'000
As at 1 January 2022	(317)	(2,609)	2,864	1,050	3,104	–	–	–	4,092
Adoption of Amendments to HKAS 12	–	–	–	–	–	(233)	233	–	–
As at 1 January 2022 (Restated)	(317)	(2,609)	2,864	1,050	3,104	(233)	233	–	4,092
(Charged)/Credited to profit or loss (note 11)	(2)	528	(2,221)	116	(785)	(166)	166	–	(2,364)
Charged to other comprehensive income	–	(242)	–	–	–	–	–	–	(242)
Effect of change in tax rate (note 11)	–	–	–	–	302	–	–	–	302
Exchange realignment	(9)	(66)	24	32	110	–	–	–	91
As at 31 December 2022 (Restated) and 1 January 2023	**(328)**	**(2,389)**	**667**	**1,198**	**2,731**	**(399)**	**399**	**–**	**1,879**
(Charged)/Credited to profit or loss (note 11)	**(186)**	**(536)**	**255**	**178**	**907**	**(142)**	**142**	**166**	**784**
Charged to other comprehensive income	**–**	**(120)**	**–**	**–**	**–**	**–**	**–**	**–**	**(120)**
Exchange realignment	**5**	**37**	**(11)**	**(18)**	**(112)**	**–**	**–**	**(1)**	**(100)**
As at 31 December 2023	**(509)**	**(3,008)**	**911**	**1,358**	**3,526**	**(541)**	**541**	**165**	**2,443**

25. DEFERRED TAX *(Continued)*

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

	2023 **RMB'000**	2022 RMB'000
Deferred tax assets	**5,052**	4,606
Deferred tax liabilities	**(2,609)**	(2,727)
	2,443	1,879

As at 31 December 2023, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to RMB85,222,000 (2022: RMB77,589,000). Deferred tax liabilities have not been recognised amounted to RMB4,261,000 (2022: RMB7,759,000) 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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**10,000,000,000**	**86,773**
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**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	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary	16	**114,848**	114,848
Current assets			
Amounts due from subsidiaries		**83,371**	86,698
Prepayments		**254**	73
Cash and cash equivalents		**4,780**	10,394
		88,405	97,165
Current liabilities			
Other payables		**1,630**	1,433
Net current assets		**86,775**	95,732
Net assets		**201,623**	210,580
EQUITY			
Share capital	26	**12,152**	12,152
Reserves (note)		**189,471**	198,428
Total equity		**201,623**	210,580

Approved and authorised for issue by the board of directors on 27 March 2024.

Ng Yew Sum	**Chin Sze Kee**
Director	*Director*

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: The movement of the Company's reserves are as follows:

	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 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 and 1 January 2023	64,379	114,759	10,119	9,171	198,428
Dividend paid (note 13)	**–**	**–**	**–**	**(24,153)**	**(24,153)**
Profit for the year	**–**	**–**	**–**	**12,623**	**12,623**
Transfer form capital reserve	**–**	**(5,000)**	**–**	**5,000**	**–**
Other comprehensive income for the year:					
Exchange difference on translation to presentation currency	**–**	**–**	**2,573**	**–**	**2,573**
As at 31 December 2023	**64,379**	**109,759**	**12,692**	**2,641**	**189,471**

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

	2023 RMB'000	2022 RMB'000
Sales of goods to related companies		
— Sum Technic	**2,669**	8,195
— Micronaire Global Sdn. Bhd.	**20**	111
Rental income from related companies		
— Sum Technic	**114**	112
— Sum System Solution Sdn. Bhd. (note)	**19**	18

Note: Sum System Solution Sdn. Bhd. is a related company of the Group, in which certain directors of the Company are also the members of the management personnel of the related 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

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits	**10,085**	9,645
Retirement scheme contributions	**760**	692
	10,845	10,337

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, additions to property, plant and equipment of RMB3,326,000 (2022: RMB3,129,000) 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 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 and 1 January 2023	73	3,741	60,483	64,297
Cash-flows:				
— Interest expense	**–**	**(177)**	**–**	**(177)**
— Repayment	**–**	**(3,744)**	**(18,775)**	**(22,519)**
— Proceeds	**–**	**–**	**18,000**	**18,000**
Non-cash:				
— Interest expense	**–**	**177**	**–**	**177**
— Additions	**–**	**3,326**	**–**	**3,326**
— Termination of lease	**–**	**(33)**	**–**	**(33)**
— Modification of lease	**–**	**3,854**	**–**	**3,854**
— Exchange realignment	**(1)**	**(23)**	**(652)**	**(676)**
As at 31 December 2023	**72**	**7,121**	**59,056**	**66,249**

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:

	2023 **RMB'000**	2022 RMB'000
Financial assets		
Financial assets at amortised cost:		
— Trade and other receivables	**85,347**	67,901
— Amounts due from related parties	**1,310**	374
— Pledged bank deposits	**1,482**	1,552
— Cash and cash equivalents	**134,372**	160,084
	222,511	229,911
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and other payables	**96,636**	88,884
— Amounts due to related parties	**72**	73
— Lease liabilities	**7,121**	3,741
— Borrowings	**59,056**	60,483
	162,885	153,181

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 2023		
Trade and other receivables	**4,158**	**8,537**
Cash and bank balances	**11,614**	**6,438**
Trade and other payables	**(177)**	**(165)**
Overall net exposures	**15,595**	**14,810**
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

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 2023 and 2022 and equity as at 31 December 2023 and 2022 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 2023			
USD	**5%**	**605**	**605**
SGD	**5%**	**564**	**564**
Year ended 31 December 2022			
USD	5%	696	696
SGD	5%	442	442

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 2023 and 2022 and equity as at 31 December 2023 and 2022 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 2023, 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 RMB294,000 (2022: RMB398,000). 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 2023 and 2022 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 2.6, 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 under government projects with aggregate gross carrying amount of RMB4,980,000 (2022: Nil) as at 31 December 2023 are assessed individually as the credit risk characteristics are different with other customers. The exposure to credit risk for these balances are assessed with an ECL allowance of RMB276,000 (2022: Nil) was provided by the Group as at 31 December 2023. The remaining trade receivables with gross carrying amount of RMB77,630,000 (2022: RMB66,007,000) are assessed based on debtors' ageing as well as forward-looking estimates at the end of each reporting period.

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 2023, trade receivables and contract assets from largest customer and top 5 customers accounted for 15% (2022: 21%) and 63% (2022: 65%) of the total trade receivables and contract assets, respectively.

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 of trade receivables and contract assets as at 31 December 2023 and 2022 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	Individual RMB'000	Total RMB'000
As at 31 December 2023						
ECL rate (note)	**0%–7%**	**0%–7%**	**0%–100%**	**100%**	**6%**	
Gross carrying amount						
— Trade receivables	**35,581**	**37,136**	**1,556**	**3,357**	**4,980**	**82,610**
— Contract assets	**137,856**	**–**	**–**	**–**	**–**	**137,856**
Lifetime ECL	**9,437**	**1,294**	**457**	**3,357**	**276**	**14,821**
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

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.

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 2.6 and, thus, ECL allowance recognised is based on 12-month ECL. As at 31 December 2023 and 2022, 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. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

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 2023 and 2022. 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.

	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 2023					
Trade and other payables	**96,636**	**–**	**–**	**96,636**	**96,636**
Amounts due to related parties	**72**	**-**	**–**	**72**	**72**
Lease liabilities	**4,007**	**3,454**	**–**	**7,461**	**7,121**
Borrowings	**59,268**	**–**	**–**	**59,268**	**59,056**
	159,983	**3,454**	**–**	**163,437**	**162,885**
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

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 2023, the aggregate undiscounted principal and interest of the bank loan payables in accordance with the scheduled payment terms were RMB49,243,000 (2022: RMB54,371,000).

As at 31 December 2023, 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 2023	**4,025**	**16,098**	**29,120**	**49,243**	**41,056**
As at 31 December 2022	4,084	12,253	38,034	54,371	45,483

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 2022	–
Purchase of bank wealth management products	139,500
Disposal of bank wealth management products	(139,500)
As at 31 December 2022 and 1 January 2023	**–**
Purchase of bank wealth management products	**126,000**
Disposal of bank wealth management products	**(126,000)**
As at 31 December 2023	**–**

During the year ended 31 December 2023, there were no transfers between Level 1, Level 2 and Level 3 (2022: 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 2023 and 2022 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 is as follows:

	2023 **RMB'000**	2022 RMB'000
Lease liabilities	**7,121**	3,741
Borrowings	**59,056**	60,483
Total borrowings	**66,177**	64,224
Less: pledged bank deposits	**(1,482)**	(1,552)
cash and cash equivalents	**(134,372)**	(160,084)
Net debt	**N/A**	N/A
Total equity	**322,236**	292,005
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 2023 is as follows:

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**356,570**	462,907	267,549	203,629	206,169
Profit before income tax	**68,984**	93,677	43,324	16,698	32,848
Profit for the year	**54,859**	75,410	34,694	10,600	25,929
Profit for the year attributable to:					
— Equity holders of the Company	**54,609**	74,955	34,634	10,523	18,184
— Non-controlling interests	**250**	455	60	77	7,745
	54,859	75,410	34,694	10,600	25,929

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**85,009**	79,846	79,936	36,003	37,627
Current assets	**413,363**	387,210	313,984	269,121	177,929
Total assets	**498,372**	467,056	393,920	305,124	215,556
Liabilities					
Non-current liabilities	**5,957**	3,760	3,154	3,680	4,745
Current liabilities	**170,179**	171,291	164,909	93,885	68,910
Total liabilities	**176,136**	175,051	168,063	97,565	73,655
Total equity	**322,236**	292,005	225,857	207,559	141,901