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Channel Micron Holdings Company Limited

捷心隆控股有限公司

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

(Stock Code: 2115)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

The financial highlights of the Group during the six months ended 30 June 2021 (“1H2021”) together with the comparative figures for the six months ended 30 June 2020 (“1H2020”) are set out as follows:

	For the six months ended 30 June		
	2021	2020	Change
	RMB'000	RMB'000	
Revenue	99,244	57,993	71.1%
Gross profit	32,974	22,098	49.2%
Profit for the period	9,687	2,047	373.2%
Adjusted profit for the period (<i>Note</i>)	9,687	7,711	25.6%
	RMB cents	RMB cents	
Earnings per share			
Basic and diluted	0.69	0.19	
Gross profit margin	33.2%	38.1%	
Net profit margin	9.8%	3.5%	
Adjusted net profit margin (<i>Note</i>)	9.8%	13.3%	

Note: The terms of adjusted profit for the period and adjusted net profit margin are not defined under HKFRSs. Adjusted profit for the period is calculated by profit for the period excluding listing expenses, whereas adjusted net profit margin is calculated by dividing adjusted profit for the period by revenue.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Channel Micron Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	99,244	57,993
Cost of sales		(66,270)	(35,895)
Gross profit		32,974	22,098
Other income	5	2,198	1,547
Other gains and losses	6	(308)	255
Selling and distribution costs		(4,253)	(3,720)
Administrative and other operating expenses		(13,056)	(8,288)
Research and development expenses		(2,868)	(2,533)
Listing expenses		–	(5,664)
Finance costs	7	(332)	(436)
Profit before income tax	8	14,355	3,259
Income tax expense	9	(4,668)	(1,212)
Profit for the period		9,687	2,047
Other comprehensive expense			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Deficit on revaluation of freehold land and building held for own use		–	(1,259)
Deferred tax arising from revaluation of freehold land and building		–	686
		–	(573)
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(5,186)	(2,295)
Other comprehensive expense for the period, net of tax		(5,186)	(2,868)
Total comprehensive income/(expense) for the period		4,501	(821)

		Six months ended 30 June	
		2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)	(unaudited)	
Profit for the period attributable to:			
Equity holders of the Company	9,617	1,976	
Non-controlling interests	70	71	
	<u>9,687</u>	<u>2,047</u>	
Total comprehensive income/(expense) for the period attributable to:			
Equity holders of the Company	4,431	(892)	
Non-controlling interests	70	71	
	<u>4,501</u>	<u>(821)</u>	
	<i>RMB cents</i>	<i>RMB cents</i>	
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	11	0.69	0.19
		<u>0.69</u>	<u>0.19</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	29,979	32,567
Other receivables	13	4,240	–
Deferred tax assets		4,081	3,436
		38,300	36,003
Current assets			
Inventories		24,429	20,722
Trade and other receivables	13	69,211	70,027
Contract assets	14	47,509	55,392
Amount due from a related party		22	5
Income tax recoverable		3,048	2,338
Pledged bank deposits		1,334	1,954
Cash and cash equivalents		100,522	118,683
		246,075	269,121
Current liabilities			
Trade and other payables	15	41,358	60,492
Contract liabilities	14	10,134	6,374
Amounts due to related parties		–	28
Lease liabilities		1,114	1,905
Borrowings	16	16,228	22,852
Income tax payable		4,513	2,234
		73,347	93,885
Net current assets		172,728	175,236
Total assets less current liabilities		211,028	211,239
Non-current liabilities			
Lease liabilities		675	1,068
Deferred tax liabilities		2,496	2,612
		3,171	3,680
Net assets		207,857	207,559
EQUITY			
Share capital	17	12,152	12,152
Reserves		195,078	194,850
Equity attributable to equity holders of the Company		207,230	207,002
Non-controlling interests		627	557
Total equity		207,857	207,559

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

Channel Micron Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated as an exempted company with limited liability in the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 October 2020.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated interim 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.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. The accounting policies and critical accounting judgments and estimates used in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) as disclosed in note 3.

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2021.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

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

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

Issued but not yet effective HKFRSs

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

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

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

Revenue represents the fair value of consideration received and receivable from the sales of goods and the cleanroom projects by the Group to external customers.

Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognised over time		
— Cleanroom projects	78,115	36,539
Timing of revenue recognised at a point in time		
— Sales of goods	21,129	21,454
	99,244	57,993

4.2 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 chief operating decision maker for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2021 is as follows:

	Cleanroom wall and ceiling systems	Cleanroom equipment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2021				
(unaudited)				
Reportable segment revenue	88,257	2,407	8,580	99,244
Reportable segment cost of sales	(57,254)	(2,197)	(6,819)	(66,270)
Reportable segment gross profit	31,003	210	1,761	32,974
Six months ended 30 June 2020				
(unaudited)				
Reportable segment revenue	52,043	1,231	4,719	57,993
Reportable segment cost of sales	(31,680)	(1,363)	(2,852)	(35,895)
Reportable segment gross profit	20,363	(132)	1,867	22,098

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 and other receivables ("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.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from external customers		
— The PRC (excluding Hong Kong)	57,407	34,139
— Malaysia	23,457	7,559
— Philippines	3,508	3,560
— Singapore	13,618	9,432
— Others	1,254	3,303
	<u>99,244</u>	<u>57,993</u>
	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Specified non-current assets		
— The PRC (excluding Hong Kong)	2,279	3,213
— Malaysia	31,870	29,277
— Others	70	77
	<u>34,219</u>	<u>32,567</u>

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	162	148
Government grants (note)	1,758	967
COVID-19-related rent concessions received	—	11
Sundry income	278	421
	<u>2,198</u>	<u>1,547</u>

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

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Exchange (losses)/gains, net	<u>(308)</u>	<u>255</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest charges on:		
— bank loans	278	398
— lease liabilities	54	38
	<u>332</u>	<u>436</u>

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Auditors' remuneration	192	204
Cost of inventories recognised as an expense, including	47,905	21,156
— write-down of inventories to net realisable value, net	—	6
Depreciation of property, plant and equipment on:		
— owned assets	574	615
— right-of-use assets	1,046	817
Credit losses/(Reversal of credit losses) of trade receivables, net	126	(620)
Credit losses/(Reversal of credit losses) of contract assets, net	452	(568)
COVID-19-related rent concessions received	—	(11)
Research and development expenses (including staff costs)	2,868	2,533
Employee benefit expenses (including directors' emoluments)	12,927	9,418
Short-term leases charges	441	239
Exchange losses/(gains), net	<u>308</u>	<u>(255)</u>

9. 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% (six months ended 30 June 2020: 24%) on the estimated assessable profit for the six months ended 30 June 2021 arising from Malaysia.

Philippines Income Tax

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

PRC Enterprise Income Tax (the "PRC EIT")

The PRC EIT in respect of the Group's operations in the PRC has been provided at the rate of 25% (six months ended 30 June 2020: 25%) on the estimated assessable profit for the six months ended 30 June 2021 arising from the PRC.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification. Accordingly, they entitled to a preferential income tax rate of 15% (six months ended 30 June 2020: 15%) on its estimated assessable profit for the six months ended 30 June 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, one of the Group's PRC subsidiaries entitled to a tax preferential income tax rate of 10% (six months ended 30 June 2020: 10%) on its estimated assessable profit for the six months ended 30 June 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, one of the Group's PRC subsidiaries engaging in research and development activities is entitled to claim 200% (six months ended 30 June 2020: 175%) for the six months ended 30 June 2021 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the six months ended 30 June 2021 ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's PRC subsidiary in ascertaining its assessable profit for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
The PRC EIT		
— Current period	1,638	259
Malaysian Income Tax		
— Current period	3,774	932
Philippines Income Tax		
— Current period	2	15
	5,414	1,206
Deferred tax		
— Current period	(746)	6
Income tax expense	4,668	1,212

10. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends to equity holders	4,203	—
Dividends to non-controlling interests	—	176
	4,203	176

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

The interim dividend of HK0.28 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 six months ended 30 June 2021.

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic earnings per share	9,617	1,976
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	1,400,000	1,050,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2020 has been adjusted retrospectively for the effect of the capitalisation issue as if the capitalisation issue had been effective on 1 January 2020.

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the additions of property, plant and equipment including furniture, fittings and equipment and plant and machinery was approximately RMB363,000 (six months ended 30 June 2020: RMB2,780,000, including furniture, fittings and equipment, plant and machinery and right-of-use assets).

During the six months ended 30 June 2021 and 2020, there was no disposal of property, plant and equipment.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade receivables	62,456	59,853
Less: expected credit losses ("ECL") allowance	(6,258)	(6,287)
	<u>56,198</u>	<u>53,566</u>
Bill receivables	5,320	4,500
	<u>61,518</u>	<u>58,066</u>
Other receivables		
— Prepayments	2,481	5,649
— Other tax receivables	4,524	4,643
— Other receivables	305	324
— Rental and other deposits	4,655	1,377
	<u>11,965</u>	<u>11,993</u>
Less: ECL allowance	(32)	(32)
	<u>11,933</u>	<u>11,961</u>
	<u><u>73,451</u></u>	<u><u>70,027</u></u>

All bill receivables are due within one year.

The credit period is generally for a period of 0 to 90 days (31 December 2020: 0 to 90 days). Based on the invoice dates, the ageing analysis of trade receivables, net of ECL allowance, was as follows:

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
0–90 days	32,057	45,977
91–180 days	11,829	3,795
181–365 days	9,655	2,018
Over 365 days	2,657	1,776
	<u>56,198</u>	<u>53,566</u>

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

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
At the beginning of the period/year	6,287	3,281
Net ECL allowance recognised during the period/year	126	3,068
Exchange realignment	(155)	(62)
At the end of the period/year	<u>6,258</u>	<u>6,287</u>

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

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
At the beginning and end of the period/year	<u>32</u>	<u>32</u>

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

14.1 Contract assets

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Contract assets arising from		
— Cleanroom projects	50,702	55,242
— Sales of goods	11	2,908
Less: ECL allowance	(3,204)	(2,758)
	<u>47,509</u>	<u>55,392</u>

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

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
At the beginning of the period/year	2,758	1,869
Net ECL allowance recognised during the period/year	452	848
Exchange realignment	(6)	41
At the end of the period/year	<u>3,204</u>	<u>2,758</u>

14.2 Contract liabilities

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Contract liabilities arising from		
— Cleanroom projects from billings in advance of performance	7,497	4,782
— Receiving deposits of manufacturing orders	2,637	1,592
	<u>10,134</u>	<u>6,374</u>

15. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade payables	35,076	50,282
Bill payables	—	2,000
	<u>35,076</u>	<u>52,282</u>
Other payables		
— Accrued expenses	3,039	4,544
— Other tax payables	1,183	437
— Other payables	2,060	3,229
	<u>6,282</u>	<u>8,210</u>
	<u>41,358</u>	<u>60,492</u>

The Group was granted by its supplier credit periods ranging from 30 to 90 days (31 December 2020: 30 to 90 days). Based on the invoice dates, the ageing analysis of trade payables were as follows:

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
0–90 days	27,666	41,177
91–180 days	3,235	5,586
181–365 days	2,953	869
Over 365 days	1,222	2,650
	<u>35,076</u>	<u>50,282</u>

16. BORROWINGS

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Bank loans, wholly repayable within one year or on demand		
— Secured	12,828	13,852
— Unsecured	3,400	9,000
	<u>16,228</u>	<u>22,852</u>

As at 30 June 2021, the bank loans bear effective interest rates of range from 3.2% to 4.6% (31 December 2020: 3.8% to 4.7%) per annum.

As at 30 June 2021, the Group's bank loan of RMB12,828,000 (31 December 2020: RMB13,852,000) was guaranteed by the personal guarantees given by Ng Yew Sum, Chin Sze Kee and Law Eng Hock, the controlling shareholders of the Company (the “**Personal Guarantees**”) and secured by the legal charges over the Group's freehold land and building. As at 30 June 2021, the Group is in the process for release of the Personal Guarantees.

17. SHARE CAPITAL

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>86,773</u>	<u>86,773</u>
Issued and fully paid:		
1,400,000,000 ordinary shares of HK\$0.01 each	<u>12,152</u>	<u>12,152</u>

18. RELATED PARTY TRANSACTIONS

Other than as disclosed in elsewhere to the condensed consolidated interim financial statements, the Group entered into the following material related party transactions during the period.

18.1 Transactions with related parties

	Six months ended 30 June 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of goods to related companies		
— Sum Technic Sdn. Bhd. (“ Sum Technic ”) (<i>note a</i>)	16	8
— Micronaire Global Sdn. Bhd. (<i>note b</i>)	2	24
Engagement fee paid to a related company		
— Sum Technic	<u>—</u>	<u>662</u>

Notes:

- (a) Sum Technic is a related company controlled by Ng Yew Sum, Chin Sze Kee, Law Eng Hock and Yap Chui Fan, the controlling shareholders of the Company.
- (b) Micronaire Global Sdn. Bhd. is a related company controlled by Ng Yew Sum, Francis Chia Mong Tet, Chin Sze Kee, Law Eng Hock, Yap Chui Fan and Lim Kai Seng, the controlling shareholders of the Company.

18.2 Key management personnel remuneration

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,385	2,204
Retirement scheme contributions	194	157
	<u>2,579</u>	<u>2,361</u>

19. LEASE COMMITMENTS — AS LESSEE

At the reporting date, the lease commitments for short-term leases are as follows:

	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Within one year	<u>90</u>	<u>—</u>

20. CAPITAL COMMITMENTS

	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Contracted but not provided for property, plant and equipment	<u>38,163</u>	<u>—</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

In the first half of 2021, despite the continuous outbreak of COVID-19, the Asia economy began to recover from the pandemic. The Group recorded a revenue of RMB99.2 million, representing a year-over-year increase of 71.1%, mainly due to the growth in revenue from the PRC and Malaysia of 68.2% and 210.3%, respectively. However, the Group's gross profit margin decreased by 4.9 percentage points mainly due to the absence of an engineering service income of approximately RMB6.5 million that involved minimal direct costs.

The net profit of the Group increased by 373.2% from RMB2.0 million for 1H2020 to RMB9.7 million for 1H2021 mainly due to the increase in revenue and the absence of listing expenses, partially offset by the decrease in gross profit margin. Excluding the listing expenses of RMB5.7 million in 1H2020, the adjusted profit of the Group (*Note*) increased by 25.6% from RMB7.7 million for 1H2020 to RMB9.7 million for 1H2021.

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

OUTLOOK

Looking forward, the Group expects the Asia economy to continue its recovery from the pandemic. The Group expects that the PRC market continues to remain the major market of the Group in the second half of 2021. In fact, the Group experienced stronger demand for its cleanroom wall and ceiling systems in the PRC market as reflected by the growth in revenue in 1H2021 as a result of increasing investment in the semiconductor industry due to the global chip shortage. The Group is actively looking for a suitable premise in the PRC to open a second factory in the PRC to increase the production capacity for cleanroom walls and ceiling systems in the PRC to take advantage of the opportunities in the market. On the other hand, the intensifying market competition and rising commodity prices, in particular, the rising prices of steel and aluminum, are putting pressure on the Group's gross profit margin. As such, it is imperative that the Group continues its efforts to improve the operational efficiency and to control costs.

It is also worth noting as the situation of COVID-19 outbreak remains volatile globally, in the unfortunate event that the situation of COVID-19 outbreak turns severe again in the Group's major markets, and the government authorities re-impose lockdown measures and travel restrictions under such uncontrollable circumstances, the Group's operation and financial results will be materially affected.

Nonetheless, given that the Group's products are mostly applied in cleanrooms for semiconductor plants, and investment in semiconductor industry is increasing in response to global semiconductor shortage, the Group remains cautiously optimistic about the cleanroom industry in the medium to long-term.

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 six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Cleanroom wall and ceiling systems	88,257	88.9	52,043	89.8
Cleanroom equipment	2,407	2.4	1,231	2.1
Others	8,580	8.7	4,719	8.1
Total	99,244	100.0	57,993	100.0

Cleanroom wall and ceiling systems

Revenue from cleanroom wall and ceiling systems for 1H2021 increased by RMB36.2 million or 69.6% as compared to 1H2020. The sales for cleanroom wall and ceiling systems from the PRC increased by RMB23.3 million, or 68.2%, while the sales for cleanroom wall and ceiling systems from the Southeast Asia also increased by RMB12.9 million or 72.3%. The increases in revenue from the PRC and the Southeast Asia are mainly due to the new contracts obtained in 2021 as a result of strong demand for the Group's cleanroom wall and ceiling systems.

The more sizable contracts the Group undertook in 1H2021 included:

- (a) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for 1H2021 amounted to RMB12.6 million, representing 14.2% of total cleanroom wall and ceiling systems revenue of the Group for 1H2021;
- (b) 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 1H2021 amounted to RMB12.1 million, representing 13.8% of total cleanroom wall and ceiling systems revenue of the Group for 1H2021;
- (c) a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in the PRC, from which revenue generated for 1H2021 amounted to RMB12.1 million, representing 13.7% of total cleanroom wall and ceiling systems revenue of the Group for 1H2021;

- (d) a contract to supply cleanroom wall and ceiling system products for the construction of a semiconductor product manufacturing facility in Malaysia, from which revenue generated for 1H2021 amounted to RMB8.7 million, representing 9.9% of total cleanroom wall and ceiling systems revenue of the Group for 1H2021; and
- (e) a contract to supply cleanroom wall and ceiling systems products for the construction of a mega data centre facility in Singapore, from which revenue generated for 1H2021 amounted to RMB8.3 million, representing 9.4% of total cleanroom wall and ceiling systems revenue of the Group for 1H2021.

Cleanroom equipment

Revenue from cleanroom equipment for 1H2021 increased by RMB1.2 million or 95.5% as compared to 1H2020. Such increase represented a partial recovery from the various delays caused by the COVID-19 pandemic in 2020 as delivery of cleanroom equipment began to return to normal in 1H2021.

Others

The Group also engages 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 1H2021 increased by RMB3.9 million or 81.8% as compared to 1H2020. Such increase was attributable to certain contracts to supply raised floor systems products in Malaysia, from which revenue generated for 1H2021 amounted to RMB6.3 million.

Revenue by geographical location

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

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
The PRC (excluding Hong Kong)	57,407	57.8	34,139	58.9
Malaysia	23,457	23.7	7,559	13.0
Singapore	13,618	13.7	9,432	16.3
Philippines	3,508	3.5	3,560	6.1
Others	1,254	1.3	3,303	5.7
Total	99,244	100.0	57,993	100.0

Revenue from the PRC for 1H2021 increased by RMB23.3 million, or 68.2%, as compared to 1H2020. Such increase was mainly due to the increase in cleanroom wall and ceiling systems contracts and projects in the PRC as explained above.

Revenue from Malaysia for 1H2021 increased by RMB15.9 million, or 210.3%, as compared to 1H2020. Such increase was mainly due to (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 1H2021 amounted to RMB8.7 million, and (ii) certain contracts to supply raised floor systems products in Malaysia, from which revenue generated for 1H2021 amounted to RMB6.3 million.

Revenue from Singapore for 1H2021 increased by RMB4.2 million, or 44.4%, as compared to 1H2020. Such increase was mainly because the Group was able to obtain new contract and orders and thus generated higher revenue in 1H2021 from the mega data centre facility project in Singapore, where the Group was initially engaged to provide engineering services in February 2020. In addition, the Group also secured certain contracts to supply cleanroom wall and ceiling products in Singapore, from which revenue generated for 1H2021 amounted to RMB2.6 million.

Revenue from the Philippines remained relatively stable at RMB3.5 million and RMB3.6 million for 1H2021 and 1H2020, respectively.

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 six months ended 30 June			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Cleanroom wall and ceiling systems	31,003	35.1	20,363	39.1
Cleanroom equipment	210	8.7	(132)	(10.7)
Others	1,761	20.5	1,867	39.6
Total	<u>32,974</u>	<u>33.2</u>	<u>22,098</u>	<u>38.1</u>

The gross profit margin of cleanroom wall and ceiling systems for 1H2021 decreased by 4.0 percentage points as compared to 1H2020 mainly due to the absence of an engineering service income from Singapore of approximately RMB6.5 million that involved minimal direct costs.

The cleanroom equipment segment recorded a gross profit margin of 8.7% for 1H2021 as compared to a negative gross profit margin of 10.7% for 1H2020. The increase in cleanroom equipment revenue for 1H2021 that led to a higher operational efficiency and thus the gross profit margin partially recovered during 1H2021.

Gross profit margin of ancillary business for 1H2021 decreased by 19.1 percentage points as compared to 1H2020. The significant decrease in gross profit margin was mainly due to the competitive pricing offered by the Group to secure certain contracts to supply raised floor systems products in Malaysia, compounded by the absence of certain contracts with higher gross profit margin for the ancillary business in the Philippines.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 14.3% to RMB4.3 million (1H2020: RMB3.7 million) with its percentage of revenue decreasing to 4.3% (1H2020: 6.4%), which was mainly due to the increase in marketing and travelling expenses, partially offset by the decrease in commission paid.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses increased by 57.5% to RMB13.1 million (1H2020: RMB8.3 million) with its percentage of revenue decreasing to 13.2% (1H2020: 14.3%), which was mainly due to increase in professional and compliance costs of RMB3.2 million and the net expected credit losses incurred in 1H2021 of RMB0.5 million as compared to the net reversal of expected credit losses incurred in 1H2020 of RMB1.2 million.

INCOME TAX EXPENSE

Income tax expense was RMB4.7 million for 1H2021 (1H2020: RMB1.2 million). The decrease in effective tax rate, representing income tax expense divided by profit before income tax, from 37.2% for 1H2020 to 32.5% for 1H2021, was mainly due to the absence of listing expenses which are not deductible for tax purposes in the Group's subsidiaries in Malaysia and the decrease in other expenses not deductible for tax purposes in the Group's subsidiaries in Malaysia.

PROFIT FOR THE PERIOD

As a result of the above and in particular, the increase in revenue from RMB58.0 million for 1H2020 to RMB99.2 million for 1H2021 and the absence of listing expenses, partially offset by the decrease in gross profit margin for 1H2021 by 4.9 percentage points, net profit increased by 373.2% to RMB9.7 million (1H2020: RMB2.0 million). Net profit margin increased from 3.5% for 1H2020 to 9.8% for 1H2021.

Adjusted profit for period

Adjusted profit for the period is not a financial measure under the HKFRSs and is presented to provide information for evaluation and comparison of the financial results of the Group. Although the financial measures are reconcilable to the line items in the consolidated financial statements, they should not be considered measures comparable to items in the consolidated financial statements in accordance with the HKFRSs. These measures may not be comparable to other similarly titled measures used by other companies. Adjusted profit for the period of the Group amounted to RMB9.7 million for 1H2021, representing an increase of 25.6% as compared to that of RMB7.7 million for 1H2020. Such increase was primary attributable to the increase in revenue, partially offset by the decrease in gross profit margin as explained above.

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	9,687	2,047
Add: Listing expenses	—	5,664
	<hr/>	<hr/>
Adjusted profit for the period	9,687	7,711
	<hr/>	<hr/>

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to RMB30.0 million and RMB32.6 million as at 30 June 2021 and 31 December 2020, respectively, and mainly comprised freehold land and building for the production facilities, warehouses and office premises in Malaysia of the Group.

TRADE AND OTHER RECEIVABLES

Trade and other receivables (including current and non-current portion) remained relatively stable at RMB73.5 million and RMB70.0 million as at 30 June 2021 and 31 December 2020.

TRADE AND OTHER PAYABLES

Trade and other payables decreased from RMB60.5 million as at 31 December 2020 to RMB41.4 million as at 30 June 2021. The decrease was mainly due to the absence of bulk purchase of raw material for on-going projects near to the end of the year ended 31 December 2020.

HUMAN RESOURCES

As at 30 June 2021, the total number of full-time employees of the Group was 169 (as at 30 June 2020: 181). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition.

During 1H2021, staff costs including Directors' emoluments amounted to RMB11.9 million (1H2020: RMB8.9 million), representing 12.0% of the Group's revenue (1H2020: 15.3%). The increase in staff cost was mainly due to the increase in direct labour cost as a result of the increase in number of short term production staff and overtime payment to cater for the strong demand for the Group's cleanroom wall and ceiling systems, in particular in the PRC and the increase in Directors' emoluments.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

As at 30 June 2021, cash and cash equivalents amounted to RMB100.5 million (as at 31 December 2020: RMB118.7 million). The decrease is mainly due to the net repayment of bank borrowings of RMB6.0 million and the dividend paid of RMB4.2 million. Most of the cash and cash equivalents were denominated in Hong Kong Dollars, Malaysia Ringgit and Renminbi.

As at 30 June 2021, bank borrowings amounted to RMB16.2 million (as at 31 December 2020: RMB22.9 million) with effective interest rates of range from 3.2% to 4.6% (as at 31 December 2020: range from 3.8% to 4.7%), per annum. The decrease is mainly due to repayment of bank loans in Malaysia and the PRC of RMB12.4 million, partially offset by the new bank loans in the PRC of RMB6.4 million.

The gearing ratio, which was calculated on the basis of bank borrowings and lease liabilities divided by total equity was 0.09 (as at 31 December 2020: 0.12).

CAPITAL STRUCTURE

As at the date of this announcement, the issued share capital of the Company was HK\$14.0 million, comprising 1,400,000,000 shares of the Company (the "Shares") of nominal value of HK\$0.01 per Share.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group held no major investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2021, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

EVENTS AFTER THE REPORTING PERIOD

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

CHARGES ON THE GROUP'S ASSETS

RMB1.3 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.

RMB12.8 million of the Group's borrowings from a bank listed on the Malaysia Stock Exchange (the "**Bank**") was guaranteed by the personal guarantees given by Mr. Ng Yew Sum, Mr. Chin Sze Kee and Mr. Law Eng Hock, each an executive Director, and secured by the legal charges over the Group's freehold land and building. Prior to the listing of the Shares on the Stock Exchange on 15 October 2020, the Bank indicated that they had no objection to releasing and replacing the personal guarantees by corporate guarantee of the Company. As at the date of this announcement, the Group has completed the negotiation with the Bank and is in the process of releasing and replacing the personal guarantees by corporate guarantee of the Company.

Other than the above, as at 30 June 2021, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

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

The Board is of the view that the Company has fully complied with all the code provisions as set out in the CG Code during 1H2021 and up to the date of this announcement, except for the deviation as set out below.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During 1H2021, the post of chief executive had been vacant and the duties of chief executive were performed by the chairman of the Company, Mr. Ng Yew Sum. The Board considers that the balance of power and authority, accountability and independent decision-making under its present arrangement will not be impaired in light of the diverse background and experience of its three independent non-executive Directors. Further, the audit committee of the Company (the “**Audit Committee**”) comprises exclusively of independent non-executive Directors has free and direct access to the Company’s external auditor and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions during 1H2021 and up to the date of this announcement.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare the payment of an interim dividend of HK0.28 cents per Share for the six months ended 30 June 2021 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 21 September 2021. The interim dividend will be paid on or around Thursday, 30 September 2021.

The register of members of the Company will be closed from Thursday, 16 September 2021 to Tuesday, 21 September 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the interim dividend as stated, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 15 September 2021.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Martin Giles Manen, Mr. Ng Seng Leong and Mr. Wu Chun Sing. Mr. Martin Giles Manen is the chairman of the Audit Committee.

The Group's unaudited consolidated interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

Grant Thornton Hong Kong Limited, the Company's auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditor's independent review report will be included in the Company's interim report for the six months ended 30 June 2021 to the Shareholders.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during 1H2021 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2021 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and made available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2021

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