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

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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023,
RECOMMENDATION FOR
DECLARATION OF FINAL DIVIDEND,
CLOSURE OF REGISTER OF MEMBERS
AND**

CLARIFICATION IN RELATION TO THE 2022 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

The financial highlights of the Group during the year ended 31 December 2023 (“**FY2023**” or the “**Year**”) together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”) are set out as follows:

	For the year ended 31 December		Change
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	356,570	462,907	(23.0%)
Gross profit	112,941	149,597	(24.5%)
Profit for the year	54,859	75,410	(27.3%)
	<i>RMB cents</i>	<i>RMB cents</i>	
Earnings per share			
Basic and diluted	3.90	5.35	
Gross profit margin	31.7%	32.3%	
Net profit margin	15.4%	16.3%	

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of CM Hi-Tech Cleanroom Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB’000	2022 <i>RMB’000</i>
Revenue	3	356,570	462,907
Cost of sales		<u>(243,629)</u>	<u>(313,310)</u>
Gross profit		112,941	149,597
Other income	4	3,162	5,311
Other gains and losses	5	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	7	(542)	3,265
(Provision for)/Reversal of credit losses of contract assets, net	7	(2,717)	445
Research and development expenses		(7,453)	(12,032)
Finance costs	6	(1,157)	(2,730)
Profit before income tax	7	68,984	93,677
Income tax expense	8	(14,125)	(18,267)
Profit for the year		<u>54,859</u>	<u>75,410</u>
Other comprehensive (expense)/income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
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
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(331)	6,501

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other comprehensive income for the year, net of tax		<u>50</u>	<u>7,268</u>
Total comprehensive income for the year		<u><u>54,909</u></u>	<u><u>82,678</u></u>
Profit for the year attributable to:			
Equity holders of the Company		54,609	74,955
Non-controlling interests		<u>250</u>	<u>455</u>
		<u><u>54,859</u></u>	<u><u>75,410</u></u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		54,659	82,223
Non-controlling interests		<u>250</u>	<u>455</u>
		<u><u>54,909</u></u>	<u><u>82,678</u></u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	<i>10</i>	<u><u>3.90</u></u>	<u><u>5.35</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		79,957	75,240
Deferred tax assets		5,052	4,606
		85,009	79,846
Current assets			
Inventories		47,805	40,484
Trade and other receivables	<i>11</i>	94,525	75,874
Contract assets	<i>12</i>	128,537	104,620
Amounts due from related parties		1,310	374
Income tax recoverable		5,332	4,222
Pledged bank deposits		1,482	1,552
Cash and cash equivalents		134,372	160,084
		413,363	387,210
Current liabilities			
Trade and other payables	<i>13</i>	99,738	94,860
Contract liabilities	<i>12</i>	4,612	5,255
Amounts due to related parties		72	73
Lease liabilities		3,773	2,708
Borrowings	<i>14</i>	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
Non-current liabilities			
Lease liabilities		3,348	1,033
Deferred tax liabilities		2,609	2,727
		5,957	3,760
Net assets		322,236	292,005

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
EQUITY			
Share capital	<i>15</i>	12,152	12,152
Reserves		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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General Information

CM Hi-Tech Cleanroom Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated as an exempted company with limited liability in the Cayman Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Lot P.T. 14274, Jalan SU8, Persiaran Tengku Ampuan, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia.

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

The ultimate controlling parties of the Group are Ng Yew Sum, Francis Chia Mong Tet, Chang Chin Sia, Ng Boon Hock, Chin Sze Kee, Law Eng Hock, 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 subsidiaries of the Company are principally engaged in the provision of cleanroom wall and ceiling systems and cleanroom equipment in the People’s Republic of China (the “**PRC**”) and Southeast Asia.

1.2 Basis of preparation

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

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

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 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.

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.

2.2 Issued but not yet effective HKFRSs

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

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 new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

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

Disaggregation of revenue from contracts with customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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
	<u>356,570</u>	<u>462,907</u>

3.2 Segment information

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

Information regarding the Group's reportable segments as provided to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2023 and 2022 is as follows:

	Cleanroom wall and ceiling systems <i>RMB'000</i>	Cleanroom equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2023				
Reportable segment revenue	328,094	21,951	6,525	356,570
Reportable segment cost of sales	<u>(226,368)</u>	<u>(13,866)</u>	<u>(3,395)</u>	<u>(243,629)</u>
Reportable segment gross profit	<u>101,726</u>	<u>8,085</u>	<u>3,130</u>	<u>112,941</u>
Year ended 31 December 2022				
Reportable segment revenue	419,939	12,518	30,450	462,907
Reportable segment cost of sales	<u>(283,412)</u>	<u>(10,240)</u>	<u>(19,658)</u>	<u>(313,310)</u>
Reportable segment gross profit	<u>136,527</u>	<u>2,278</u>	<u>10,792</u>	<u>149,597</u>

Geographical information

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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
	<u>356,570</u>	<u>462,907</u>
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Specified non-current assets		
— The PRC (excluding Hong Kong)	5,750	4,625
— Malaysia	73,976	70,396
— Others	231	219
	<u>79,957</u>	<u>75,240</u>

Information about major customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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.

4. OTHER INCOME

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

Note: 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.

5. OTHER GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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
	<u>2,820</u>	<u>4,557</u>

6. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest charges on:		
— bank loans	980	2,580
— lease liabilities	177	150
	<u>1,157</u>	<u>2,730</u>

7. PROFIT BEFORE INCOME TAX

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u> </u>	<u> </u>

8. INCOME TAX EXPENSE

Cayman Islands Income Tax

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

Malaysian Income Tax

Malaysian Income Tax in respect of the Group's operations in Malaysia has been provided at the rate of 24% (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 1% (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.

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
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	–
	<u>14,909</u>	<u>16,205</u>
Deferred tax		
— Current year	(784)	2,364
— Effect on change in tax rate	–	(302)
	<u>(784)</u>	<u>2,062</u>
Income tax expense	<u><u>14,125</u></u>	<u><u>18,267</u></u>

9. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividends to equity holders	24,153	16,595
Dividends to non-controlling interests	525	–
	<u>24,678</u>	<u>16,595</u>

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, have been proposed after the reporting date have not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2023.

10. EARNINGS PER SHARE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	<u>54,609</u>	<u>74,955</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	<u>1,400,000</u>	<u>1,400,000</u>

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

11. TRADE AND OTHER RECEIVABLES

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

Note: Other receivables included RMB619,000 (2022: RMB424,000) paid to Sum Technic Sdn. Bhd. for the preparation work on construction.

All bill receivables are due within one year.

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, was as follows:

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

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

12.1 Contract assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract assets arising from		
— Cleanroom projects	137,144	109,610
— Sales of goods	712	1,610
Less: ECL allowance	<u>(9,319)</u>	<u>(6,600)</u>
	<u>128,537</u>	<u>104,620</u>

12.2 Contract liabilities

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

13. TRADE AND OTHER PAYABLES

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

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 were as follows:

	2023	2022
	RMB'000	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
	<u>77,312</u>	<u>66,254</u>

14. BORROWINGS

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

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.

15. 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	<u>10,000,000,000</u>	<u>86,773</u>
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,400,000,000</u>	<u>12,152</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the year ended 31 December 2023 (“**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 the corresponding period last year (“**FY2022**”). The decline in revenue was partially offset by the reduction in selling and distribution costs and research and development expenses. 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 announcement, 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.

OUTLOOK

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.

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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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	<u>356,570</u>	<u>100</u>	<u>462,907</u>	<u>100</u>

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	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
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 <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
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	<u>112,941</u>	31.7	<u>149,597</u>	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 announcement, the issued share capital of the Company was HK\$14.0 million, comprising 1,400,000,000 Shares of nominal value of HK\$0.01 per Share.

SIGNIFICANT INVESTMENTS

As at 31 December 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

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

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").

CLOSURE OF REGISTER OF MEMBERS

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 dates inclusive, during the period no transfer of the shares will be registered. To qualify for attending and voting at the AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 May 2024.

Upon obtaining approval of the Shareholders at the forthcoming AGM, for the purpose of determining the Shareholders' entitlement to the final dividend for the year ended 31 December 2023, the register of members of the Company will be closed from Thursday, 6 June 2024 to Tuesday, 11 June 2024, both dates inclusive, during the period no transfer of the shares will be registered. To qualify for the proposed final dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 5 June 2024.

CORPORATE GOVERNANCE

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

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

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During FY2023, 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**"), which comprises exclusively of independent non-executive Directors, has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from Code Provision C.2.1 of the CG Code is appropriate in such 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 Issuer (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 Rule 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 HKD25,000 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 announcement. The Company has also adopted the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside 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 announcement.

AUDIT COMMITTEE

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

The Group’s audited consolidated annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, and the related notes thereto as set out in this announcement have been agreed by the Group’s auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

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

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2023 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.

CLARIFICATION IN RELATION TO THE 2022 ANNUAL REPORT

Reference is made to the annual report (the “**2022 Annual Report**”) of the Company for the year ended 31 December 2022. The Company wishes to clarify that due to inadvertent error, note 1 to the consolidated financial statements for the year ended 31 December 2022 as stated on page 112 of the 2022 Annual Report should read as follows (with the corrections underlined):

“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 2022 were approved for issue by the board of directors on 30 March 2023.”

Save for the above clarification and the clarification announcement regarding Mr. Douglas Frederick Bockmiller's shareholding in the Company dated 15 February 2024, all information in the 2022 Annual Report remains the same.

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
CM Hi-Tech Cleanroom Limited
Ng Yew Sum
Chairman and Executive Director

Hong Kong, 27 March 2024

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