

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

(incorporated in the Cayman Islands with limited liability)
Stock Code : 2115

Interim Report **2024**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Yew Sum (*Chairman*)

Mr. Law Eng Hock

Mr. Chin Sze Kee

Independent Non-executive Directors

Mr. Ng Seng Leong

Mr. Wu Chun Sing

Mr. Martin Giles Manen

BOARD COMMITTEES

Audit Committee

Mr. Martin Giles Manen (*Committee chairman*)

Mr. Ng Seng Leong

Mr. Wu Chun Sing

Remuneration Committee

Mr. Ng Seng Leong (*Committee chairman*)

Mr. Martin Giles Manen

Mr. Ng Yew Sum

Nomination Committee

Mr. Ng Yew Sum (*Committee chairman*)

Mr. Martin Giles Manen

Mr. Ng Seng Leong

COMPANY SECRETARY

Ms. Chan Sze Ting

AUTHORISED REPRESENTATIVES

Mr. Ng Yew Sum

Ms. Chan Sze Ting

AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

Bank of China

Maybank Banking Berhad

Public Bank Berhad

HSBC Bank Malaysia Berhad

AmBank (M) Berhad

Alliance Bank Malaysia Berhad

REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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Persiaran Tengku Ampuan

40400 Shah Alam

Selangor Dural Ehsan, Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

STOCK CODE

2115

INVESTOR RELATIONS

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WEBSITE

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LISTING INFORMATION

Equity Securities

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

PUBLICATION OF INTERIM REPORT

This interim report is published on the Company’s website (<https://www.channelmicron.com/>) and the Stock Exchange’s website (<http://www.hkexnews.hk>).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

In the first half of 2024, the Group's revenue increased by approximately 22.4% to approximately RMB176.5 million compared to the same period in 2023. This growth was driven by the revenue increase from the cleanroom wall and ceiling systems segment. However, the Group's net profit in saw a significant decline of approximately 29.1% to approximately RMB22.0 million compared to 1H2023. This decrease was mainly due to a reduced gross profit margin in the cleanroom wall and ceiling systems segment and net provisions for credit losses on contract assets as compared to net reversal of credit losses of contract assets for 1H2023.

The decline in the gross profit margin for the cleanroom wall and ceiling systems segment in 1H2024 compared to 1H2023 was due to increased project expenses including direct material costs and subcontracting expenses, which in turn was a result of a higher proportion of revenue coming from projects requiring subcontracted works and increased fees charged by subcontractors.

Regarding the new production facility in Malaysia, the Group has faced delays in construction progress due to an extended subcontractor selection process. According to the current schedule, construction is expected to be completed by the second quarter of 2025, with full operational launch anticipated in the third quarter of 2025. Meanwhile, in the PRC, the Group 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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			
	2024		2023	
	RMB'000	%	RMB'000	%
Cleanroom wall and ceiling systems	166,264	94.2	130,290	90.4
Cleanroom equipment	8,051	4.6	9,969	6.9
Others	2,149	1.2	3,898	2.7
Total	176,464	100.0	144,157	100.0

Cleanroom wall and ceiling systems

The Group's revenue from cleanroom wall and ceiling systems for 1H2024 increased by approximately RMB36.0 million (or approximately 27.6%) compared to 1H2023. This growth was driven by an approximately 66.8% increase in sales from the PRC market, which was partially offset by a decline in sales from certain other markets. During 1H2024, the Group undertook more sizable contracts in the PRC as compared to 1H2023.

The more sizable contracts^(Note) the Group undertook in 1H2024 included:

1. a contract to supply cleanroom wall and ceiling system products with installation services for the construction of a semiconductor product manufacturing facility in Malaysia, from which revenue generated for 1H2024 amounted to approximately RMB18.1 million, representing approximately 10.9% of total cleanroom wall and ceiling systems revenue of the Group for 1H2024;

Note: Sizable contracts refer to contracts which contributed 5% or more of the total revenue of the Group during 1H2024. For avoidance of doubt, the sizable contracts referred to in the Group's interim results announcement and reports for 1H2023 refers to contracts which generated RMB5 million or above during 1H2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. 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 1H2024 amounted to approximately RMB13.9 million, representing approximately 8.4% of total cleanroom wall and ceiling systems revenue of the Group for 1H2024; and
3. 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 1H2024 amounted to approximately RMB10.4 million, representing approximately 6.3% of total cleanroom wall and ceiling systems revenue of the Group for 1H2024.

Cleanroom equipment

Revenue from cleanroom equipment for 1H2024 declined by approximately RMB1.9 million (or approximately 19.2%) compared to 1H2023. This decrease was due to weakened market demand and delays in the overall progress of potential projects, which in turn delayed the placement of potential orders for the Group's products.

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 1H2024 declined by approximately RMB1.7 million (or approximately 44.9%) as compared to 1H2023, owing to the weakened market demand and delays in the overall progress of potential projects as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue from external customers		
— The PRC (excluding Hong Kong)	133,232	79,893
— Malaysia	27,094	51,610
— Philippines	8,420	5,882
— Singapore	2,572	2,908
— United Kingdom	3,971	—
— Others	1,175	3,864
	176,464	144,157

Revenue from the PRC for 1H2024 increased by approximately RMB53.3 million, or approximately 66.8%, as compared to 1H2023. Such increase was mainly due to the increase in revenue from cleanroom wall and ceiling systems as explained above. The increase in revenue from the PRC, the Philippines and the United Kingdom was partially offset by the decline in revenue from Malaysia and other countries.

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			
	2024		2023	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Cleanroom wall and ceiling systems	41,328	24.9	45,971	35.3
Cleanroom equipment	3,458	43.0	3,810	38.2
Others	1,044	48.6	1,795	46.0
Total	45,830	26.0	51,576	35.8

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit margin of the cleanroom wall and ceiling systems segment decreased from approximately 35.3% for 1H2023 to approximately 24.9% for 1H2024. This decline was mainly due to (i) increase in direct material costs; and (ii) increase in subcontracting expenses, driven by higher prices charged by subcontractors and the Group's undertaking of more contracts that required subcontracting works in 1H2024.

The Group has pursued a competitive pricing strategy in order to secure sizable contracts which would enhance the Group's reputation and job references in the market. This strategic decision is expected to be beneficial in competing for other large-scale contracts from various contract owners in the future.

The gross profit margins for cleanroom equipment and ancillary businesses remained relatively stable at approximately 43.0% and approximately 48.6% respectively for 1H2024.

OTHER INCOME

During 1H2024, the Group recorded other income of approximately RMB1.0 million which represents interest and sundry income. The other income for 1H2024 decreased by approximately RMB1.5 million mainly due to the fact that there was a government subsidy of approximately RMB1.4 million for 1H2023 which was temporary in nature and such subsidy was no longer available in 1H2024.

OTHER GAINS

Other gains amounted to approximately RMB2.3 million in 1H2024 which mainly represented written back of provision for commission expense.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by approximately 180.8% to approximately RMB3.7 million (1H2023: approximately RMB1.3 million), which was mainly due to the fact that there was a reversal of over-provision of commission expenses in 1H2023, which had partially offset the selling and distribution costs in that period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses remained stable at approximately RMB12.8 million (1H2023: approximately RMB13.0 million).

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses for 1H2024 increased by approximately RMB1.3 million to approximately RMB3.9 million mainly due to increase in material costs.

NET REVERSAL OF/PROVISION FOR ECL ALLOWANCE OF TRADE RECEIVABLES AND CONTRACT ASSETS

For 1H2024, the Group recorded a net provision for ECL allowance of contract assets of approximately RMB1.6 million. This contrasts with 1H2023, where the Group recorded a net reversal of ECL allowance of contract assets of approximately RMB1.8 million. This shift was mainly due to the increase in contract assets as at 30 June 2024 as compared to that as at 30 June 2023. On the other hand, the net reversal of ECL allowance of trade receivables was approximately RMB0.2 million for 1H2024.

INCOME TAX EXPENSE

Income tax expense was approximately RMB4.5 million for 1H2024 (1H2023: approximately RMB8.3 million). The decrease in effective tax rate, representing income tax expense divided by profit before income tax, from approximately 21.2% for 1H2023 to approximately 17.0% for 1H2024, was mainly due to decrease in other expenses not deductible for tax purpose in the Group's subsidiaries in Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROFIT FOR THE PERIOD

As a result of the above, net profit decreased by approximately 29.1% to approximately RMB22.0 million (1H2023: approximately RMB31.0 million). Net profit margin decreased from approximately 21.5% for 1H2023 to approximately 12.5% for 1H2024.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment remained stable at approximately RMB81.3 million and approximately RMB80.0 million as at 30 June 2024 and 31 December 2023, 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 remained relatively stable at approximately RMB91.7 million as at 30 June 2024 as compared to approximately RMB94.5 million as at 31 December 2023.

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 to approximately RMB158.6 million as at 30 June 2024 as compared to approximately RMB128.5 million as at 31 December 2023 in line with the increase in revenue.

TRADE AND OTHER PAYABLES

Trade and other payables remained relatively stable at approximately RMB101.5 million as at 30 June 2024 as compared to approximately RMB99.7 million as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

HUMAN RESOURCES

As at 30 June 2024, the total number of full-time employees of the Group was 207 (as at 30 June 2023: 206). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition.

During 1H2024, staff costs including Directors' emoluments amounted to approximately RMB16.7 million (1H2023: approximately RMB15.5 million).

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

As at 30 June 2024, cash and cash equivalents amounted to approximately RMB123.2 million (as at 31 December 2023: approximately RMB134.4 million). Most of the cash and cash equivalents were denominated in Hong Kong Dollars, Malaysia Ringgit and Renminbi.

As at 30 June 2024, bank borrowings amounted to approximately RMB69.0 million (as at 31 December 2023: approximately RMB59.1 million) with effective interest rates of range from approximately 3.1% to approximately 4.4% (as at 31 December 2023: approximately 3.3% to approximately 4.4%), per annum.

As at 30 June 2024, the gearing ratio, which was calculated on the basis of bank borrowings and lease liabilities divided by total equity was 0.22 (as at 31 December 2023: 0.21).

CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of maintaining a sustainable growth in business and providing a long-term reasonable return to the shareholders of the Company (the "**Shareholders**"). The Group's financial position remained healthy and stable. During the Period, the Group mainly financed with its own working capital and borrowings. As at the date of this report, the issued share capital of the Company was HK\$14.0 million, comprising 1,400,000,000 shares of the Company (the "**Shares**") of nominal value of HK\$0.01 per Share.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group held no major investment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2024, 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 report.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2024, approximately 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. As at 30 June 2024, the Group's bank loans of approximately RMB39.0 million were secured by the legal charges over the Group's freehold land and building.

Other than the above, as at 30 June 2024, 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 2024, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Net proceeds from the Listing, after deducting the underwriting commission and other estimated expenses in connection with the Listing, amounted to RMB47.5 million. The planned usage of the net proceeds (as reallocated as per the Company's interim report for the six months ended 30 June 2023) and the actual usage of the net proceeds as at 30 June 2024 are set out below:

Planned use of net proceeds	% to total amount	RMB million	Actual use of net proceeds up to 30 June 2024	Unutilised net proceeds as at 30 June 2024	Expected timeline for the unutilised net proceeds
			RMB million	RMB million	
Expansion and renovation of production facilities in the PRC	0.8	0.4	0.4	–	N/A
Expansion of production facilities in Malaysia	67.8	32.2	13.8	18.4	On or before June 2025 ^(Note)
Strengthening sales and marketing, and engineering and support functions in the PRC and Malaysia by hiring additional staff	9.0	4.3	4.3	–	N/A
Strengthening accounts and administration functions and upgrading information technology systems to cater for business growth	3.5	1.7	1.7	–	N/A
Research and development projects to enhance existing products and diversify product offering	11.9	5.6	5.6	–	N/A
General working capital	6.9	3.3	3.3	–	N/A
	100.0	47.5	29.1	18.4	

Note:

Regarding the new production facility in Malaysia, the Group has faced delays in construction progress due to an extended subcontractor selection process. According to the current schedule, construction is expected to be completed by the second quarter of 2025.

The unutilised amount is expected to be used in accordance with the Company's business strategies as disclosed in the Prospectus, taking into account the reallocations as set out in the Company's interim report for the six months ended 30 June 2023, and above. The aforesaid expected timeline of full utilisation of the unutilised proceeds is based on our Directors' best estimation, and is subject to change in light of the future market conditions or any unforeseen circumstances.

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare the payment of an interim dividend of HK0.44 cents per Share for the six months ended 30 June 2024 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 23 September 2024. The interim dividend will be paid on or around Wednesday, 9 October 2024.

The register of members of the Company will be closed from Tuesday, 17 September 2024 to Monday, 23 September 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 16 September 2024.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2024, the interests or short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be recorded in the register therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Interests in the Company

Name of Directors	Nature of interests	No. of ordinary shares held ⁽¹⁾	Approximate percentage of issued share capital of the Company
Mr. Ng Yew Sum ("Mr. Ng")	Beneficial owner	339,958,550 (L)	24.28%
Mr. Law Eng Hock	Beneficial owner	60,040,050 (L)	4.29%
Mr. Chin Sze Kee	Beneficial owner	37,191,850 (L)	2.65%
Mr. Ng Seng Leong	Beneficial owner	70,000 (L)	0.00%

Note:

1. The letter "L" denotes the person's long position in the Shares.

(ii) Interests in the associated corporation

Name of Director	Name of associated corporation	Nature of interests	Number of shares	Approximate percentage of shareholding
Mr. Ng	Micron Cleanroom (Philippines), Inc. ("Micron Cleanroom")	Beneficial owner	1,000	0.01%
Mr. Chin Sze Kee	Micron Cleanroom	Beneficial owner	1,000	0.01%

Save as disclosed above and so far as is known to the Directors, as at 30 June 2024, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2024, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of Interests	No. of ordinary shares held ⁽¹⁾	Approximate percentage of issued share capital of the Company
Ms. Yap Fui Lee ⁽²⁾	Interest of spouse	339,958,550 (L)	24.28%
Mr. Francis Chia Mong Tet ("Mr. Chia") ⁽³⁾	Founder of discretionary trust and beneficial owner	150,773,100 (L)	10.76%
Ms. Yau Ah Lan @ Fara Yvonne ⁽³⁾	Interest of spouse	150,773,100 (L)	10.76%
DBS Trustee Limited ⁽³⁾	Trustee of a trust	143,873,100 (L)	10.27%
Mr. Douglas Frederick Bockmiller ^{(4), (6)}	Beneficial owner	20,958,700 (L)	1.49%
	Interest of controlled corporation and interest of spouse	165,068,400 (L)	11.79%
Mrs. Lauren Lindquist Bockmiller ^{(5), (6)}	Beneficial owner	32,258,700 (L)	2.30%
	Founder of a discretionary trust, interest of controlled corporation and interest of spouse	153,768,400 (L)	10.98%

OTHER INFORMATION (CONTINUED)

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. Ms. Yap Fui Lee is the spouse of Mr. Ng. By virtue of the SFO, she is deemed to be interested in Mr. Ng's shares of the Company.
3. DBS Trustee Limited, the trustee of THE ANF HAUS TRUST, in its capacity as trustee holds the entire issued share capital of Chempennai Haus Limited which held 143,873,100 shares of the Company. Mr. Chia is a cofounder, settlor and beneficiary of THE ANF HAUS TRUST together with his spouse, Ms. Yau Ah Lan @ Fara Yvonne. By virtue of the SFO, Mr. Chia and Ms. Yau Ah Lan @ Fara Yvonne are deemed to be interested in the shares held by THE ANF HAUS TRUST through Chempennai Haus Limited.
4. Mr. Douglas Frederick Bockmiller held 20,958,700 shares of the Company as beneficial owner.

Each of Channel Systems Inc. and Pacific Panels Inc. held 51,404,850 shares of the Company. They are owned by Mr. Douglas Frederick Bockmiller as to 45% and 50%, respectively. By virtue of the SFO, Mr. Douglas Frederick Bockmiller is deemed to be interested in the shares of the Company held by Channel Systems Inc. and Pacific Panels Inc.

5. Mrs. Lauren Lindquist Bockmiller held 32,258,700 shares of the Company as beneficial owner.

Graham Bockmiller Irrevocable Family Trust (the "**Graham Trust**") held 30,000,000 shares of the Company. As Mrs. Lauren Lindquist Bockmiller maintains certain rights and powers over the Graham Trust, by virtue of the SFO, she is deemed to be interested in the shares held by the Graham Trust.

Channel Systems Inc. held 51,404,850 shares of the Company. It is owned by Mrs. Lauren Lindquist Bockmiller as to 55%. By virtue of the SFO, Mrs. Lauren Lindquist Bockmiller is deemed to be interested in the shares of the Company held by Channel Systems Inc.

6. Mr. Douglas Frederick Bockmiller and Mrs. Lauren Lindquist Bockmiller are spouses of each other. By virtue of the SFO, they are deemed to be interested in each other's shares of the Company.

Save as disclosed above, as at 30 June 2024, the Directors and the chief executives of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 3 September 2020 (the "**Share Option Scheme**"). The following is a summary of the principal terms of the Share Option Scheme:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

OTHER INFORMATION (CONTINUED)

(iii) Maximum number of the Shares

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time;
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding 140,000,000 Shares) on the date of Listing.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being.

(v) Grant of options to the Directors, chief executive or substantial shareholders of the Company or their respective associates

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).

Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. As at the date of this report, the remaining life of the Share Option Scheme is around 6 years.

Since the adoption of the Share Option Scheme, no share options have been granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme. During the beginning and end of 1H2024 and as of the date of this interim report, the Company had 140,000,000 Shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company as at the date of this interim report).

CHANGES IN INFORMATION OF DIRECTORS

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- With effect from 30 June 2024, Mr. Martin Giles Manen has ceased to be an independent non-executive director of Top Glove Corporation Berhad, (a company listed on both Bursa Malaysia Securities and Singapore Exchange (stock code: BVA)).

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION (CONTINUED)

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 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 applicable code provisions as set out in the CG Code during 1H2024 and up to the date of this report, except for the deviation as set out below.

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 1H2024, 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 auditor and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances. However, the Board will continue to review the current structure and if a candidate with suitable knowledge, skills and experience is identified, the Board will make an appointment to fill the post of chief executive as appropriate.

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 C3 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 1H2024 and up to the date of this report.

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 2024 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 2024 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor's independent review report is set out on pages 22 to 23 of this report.

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 (including sale of treasury shares) during 1H2024 and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company had maintained a sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules throughout 1H2024 and up to the date of this report.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2024 containing all the relevant information required by the Listing Rules and the relevant laws and regulations has been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.channelmicron.com/>).

By Order of the Board
CM Hi-Tech Cleanroom Limited
Ng Yew Sum
Chairman and Executive Director

Hong Kong, 29 August 2024



To the shareholders of CM Hi-Tech Cleanroom Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of CM Hi-Tech Cleanroom Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 24 to 48, which comprise the condensed consolidated statement of financial position as at 30 June 2024, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial statements, including material accounting policy information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

29 August 2024

Lam Wai Ping

Practising Certificate No.: P07826

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	4	176,464	144,157
Cost of sales		(130,634)	(92,581)
Gross profit		45,830	51,576
Other income	5	990	2,526
Other gains and losses	6	2,284	2,380
Selling and distribution costs		(3,650)	(1,300)
Administrative and other operating expenses		(12,779)	(12,995)
Reversal of/(Provision for) expected credit losses ("ECL") allowance of trade receivables, net	8	171	(1,448)
(Provision for)/Reversal of ECL allowance of contract assets, net	8	(1,557)	1,758
Research and development expenses		(3,948)	(2,651)
Finance costs	7	(862)	(511)
Profit before income tax	8	26,479	39,335
Income tax expense	9	(4,496)	(8,333)
Profit for the period		21,983	31,002
Other comprehensive income/(expense)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Surplus on revaluation of freehold land held for own use		–	113
Deferred tax arising from revaluation of freehold land		–	(27)
		–	86
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(843)	(500)
Other comprehensive expense for the period, net of tax		(843)	(414)
Total comprehensive income for the period		21,140	30,588

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Profit for the period attributable to:			
Equity holders of the Company		21,868	30,820
Non-controlling interests		115	182
		21,983	31,002
Total comprehensive income for the period attributable to:			
Equity holders of the Company		21,025	30,406
Non-controlling interests		115	182
		21,140	30,588
		RMB cents	<i>RMB cents</i>
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	11	1.56	2.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	81,287	79,957
Deferred tax assets		5,286	5,052
		86,573	85,009
Current assets			
Inventories		56,275	47,805
Trade and other receivables	13	91,653	94,525
Contract assets	14	158,558	128,537
Amounts due from related parties		1,347	1,310
Income tax recoverable		7,102	5,332
Financial assets at fair value through profit or loss ("FVTPL")	19	3,000	–
Pledged bank deposits		1,279	1,482
Cash and cash equivalents		123,153	134,372
		442,367	413,363
Current liabilities			
Trade and other payables	15	101,544	99,738
Contract liabilities	14	11,166	4,612
Amounts due to related parties		–	72
Lease liabilities		3,762	3,773
Borrowings	16	69,018	59,056
Income tax payable		3,623	2,928
		189,113	170,179
Net current assets		253,254	243,184
Total assets less current liabilities		339,827	328,193

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		1,560	3,348
Deferred tax liabilities		2,597	2,609
		4,157	5,957
Net assets		335,670	322,236
EQUITY			
Share capital	17	12,152	12,152
Reserves		323,518	309,222
Equity attributable to equity holders of the Company		335,670	321,374
Non-controlling interests		–	862
Total equity		335,670	322,236

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to equity holders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000		
As at 1 January 2023 (audited)	12,152	64,379	38,346	14,421	(2,217)	12,964	150,823	290,868	1,137	292,005
Dividend paid (note 10)	-	-	-	-	-	-	(14,341)	(14,341)	-	(14,341)
Transaction with equity holders	-	-	-	-	-	-	(14,341)	(14,341)	-	(14,341)
Profit for the period	-	-	-	-	-	-	30,820	30,820	182	31,002
<i>Other comprehensive (expense)/ income for the period:</i>										
Surplus on revaluation of freehold land held for own use	-	-	-	-	-	113	-	113	-	113
Deferred tax arising from revaluation of freehold land	-	-	-	-	-	(27)	-	(27)	-	(27)
Exchange differences on translation of foreign operations	-	-	-	-	(500)	-	-	(500)	-	(500)
Total comprehensive income for the period	-	-	-	-	(500)	86	30,820	30,406	182	30,588
As at 30 June 2023 (unaudited)	12,152	64,379	38,346	14,421	(2,717)	13,050	167,302	306,933	1,319	308,252

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Revaluation reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2024 (audited)	12,152	64,379	33,346	14,421	(2,548)	13,345	186,279	321,374	862	322,236
Dividend paid (note 10)	-	-	-	-	-	-	(6,838)	(6,838)	-	(6,838)
Acquisition of non-controlling interests (note)	-	-	109	-	-	-	-	109	(977)	(868)
Transaction with equity holders	-	-	109	-	-	-	(6,838)	(6,729)	(977)	(7,706)
Profit for the period	-	-	-	-	-	-	21,868	21,868	115	21,983
Other comprehensive expense for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	(843)	-	-	(843)	-	(843)
Total comprehensive income for the period	-	-	-	-	(843)	-	21,868	21,025	115	21,140
As at 30 June 2024 (unaudited)	12,152	64,379	33,455	14,421	(3,391)	13,345	201,309	335,670	-	335,670

Note: On 28 June 2024, the Group acquired 6.5% equity interests in a subsidiary, Channel CR Material (Shanghai) Co. Ltd. by cash consideration of RMB868,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000 (unaudited)	RMB'000 (unaudited)
Cash flows from operating activities			
Profit before income tax		26,479	39,335
Adjustments for:			
— Depreciation of property, plant and equipment	8	2,748	2,118
— Surplus on revaluation of freehold land	6	—	(2,237)
— Loss on lease termination	6	—	5
— (Reversal of)/Provision for ECL allowance of trade receivables, net	8	(171)	1,448
— Provision for/(Reversal of) ECL allowance of contract assets, net	8	1,557	(1,758)
— (Gain)/Loss on disposal of property, plant and equipment	6	(143)	4
— Write-down of inventories to net realisable value	8	631	—
— Written back of provision for commission expense	6	(1,861)	—
— Unrealised exchange (gains)/losses, net		(75)	157
— Interest expense	7	862	511
— Interest income	5	(584)	(372)
Operating profit before working capital changes		29,443	39,211
Increase in inventories		(9,236)	(8,528)
Decrease/(Increase) in trade and other receivables		2,760	(996)
(Increase)/Decrease in contract assets		(31,546)	2,792
Increase/(Decrease) in trade and other payables		3,819	(34,345)
(Increase)/Decrease in amounts due from related parties		(36)	348
Increase in contract liabilities		6,520	10,224
Cash generated from operations		1,724	8,706
Income taxes paid		(5,833)	(12,761)
<i>Net cash used in operating activities</i>		(4,109)	(4,055)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,312)	(432)
Proceeds from disposals of property, plant and equipment		153	2
Purchase of bank wealth management products		(37,000)	(62,000)
Proceeds from disposal of bank wealth management products		34,000	60,000
Acquisition of non-controlling interests		(868)	–
Change in pledged bank deposits		203	(697)
Interest received	5	584	372
<i>Net cash used in investing activities</i>		(7,240)	(2,755)
Cash flows from financing activities			
Change in amounts due to related parties		(72)	(41)
Proceeds from borrowings		25,000	13,000
Repayment of borrowings		(14,864)	(16,864)
Interest paid	7	(862)	(511)
Repayment of capital element of leases		(1,847)	(1,769)
Dividends paid	10	(6,838)	(14,341)
<i>Net cash generated from/(used in) financing activities</i>		517	(20,526)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		134,372	160,084
Effect of foreign exchange rate changes		(387)	101
Cash and cash equivalents at the end of the period		123,153	132,849

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 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 D2 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 2023. 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 2023, except for the adoption of new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) as disclosed in note 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2024

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group 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.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 21	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ 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 Group is in the process of assessing the expected impact of these developments during the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognised over time		
— Cleanroom projects	148,448	68,809
Timing of revenue recognised at a point in time		
— Sales of goods	28,016	75,348
	176,464	144,157

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

4.2 Segment information (Continued)

Information regarding the Group's reportable segments as provided to the chief operating decision maker (i.e. executive directors of the Company) for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2024 is as follows:

	Cleanroom wall and ceiling systems RMB'000	Cleanroom equipment RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2024 (unaudited)				
Reportable segment revenue	166,264	8,051	2,149	176,464
Reportable segment cost of sales	(124,936)	(4,593)	(1,105)	(130,634)
Reportable segment gross profit	41,328	3,458	1,044	45,830
Six months ended 30 June 2023 (unaudited)				
Reportable segment revenue	130,290	9,969	3,898	144,157
Reportable segment cost of sales	(84,319)	(6,159)	(2,103)	(92,581)
Reportable segment gross profit	45,971	3,810	1,795	51,576

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

4.2 Segment information (Continued)

Geographical information

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue from external customers		
— The PRC (excluding Hong Kong)	133,232	79,893
— Malaysia	27,094	51,610
— Philippines	8,420	5,882
— Singapore	2,572	2,908
— United Kingdom	3,971	—
— Others	1,175	3,864
	176,464	144,157
	As at	
	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Specified non-current assets		
— The PRC (excluding Hong Kong)	4,173	5,750
— Malaysia	76,725	73,976
— Others	389	231
	81,287	79,957

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	584	372
Government grants (Note)	–	1,445
Sundry income	406	709
	990	2,526

Note: During the six months ended 30 June 2023, 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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Exchange gains, net	280	152
Loss on lease termination	–	(5)
Gain/(Loss) on disposal of property, plant and equipment	143	(4)
Surplus on revaluation of freehold land	–	2,237
Written back of provision for commission expense	1,861	–
	2,284	2,380

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charges on:		
— bank loans	723	445
— lease liabilities	139	66
	862	511

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Auditors' remuneration	631	7
Cost of inventories recognised as an expense, including	98,055	73,081
— write-down of inventories to net realisable value, net	631	—
Depreciation of property, plant and equipment on:		
— owned assets	598	628
— right-of-use assets	2,150	1,490
(Reversal of)/Provision for ECL allowance of trade receivables, net	(171)	1,448
Provision for/(Reversal of) ECL allowance of contract assets, net	1,557	(1,758)
(Gain)/Loss on disposal of property, plant and equipment	(143)	4
Research and development expenses (including staff costs)	3,948	2,651
Surplus on revaluation of freehold land	—	(2,237)
Employee benefit expenses (including directors' emoluments)	16,678	15,543
Short-term leases charges	767	1,045
Exchange gains, net	(280)	(152)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

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 2023: 24%) on the estimated assessable profit for the six months ended 30 June 2024 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 2023: 25%) on the estimated assessable profit. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines which are subject to the regular corporate income tax are required to pay 2% (six months ended 30 June 2023: 1%) minimum corporate income tax on gross income or tax equivalent to 25% (six months ended 30 June 2023: 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% (six months ended 30 June 2023: 25%) on the estimated assessable profit for the six months ended 30 June 2024 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, it entitled to a preferential income tax rate of 15% (six months ended 30 June 2023: 15%) on its estimated assessable profit for the six months ended 30 June 2024.

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 2023: 200%) for the six months ended 30 June 2024 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the six months ended 30 June 2024 ("**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 2024 and 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

9. INCOME TAX EXPENSE (CONTINUED)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
The PRC EIT		
— Current period	2,892	2,676
Malaysian Income Tax		
— Current period	1,757	5,438
Philippines Income Tax		
— Current period	91	316
	4,740	8,430
Deferred tax		
— Current period	(244)	(97)
Income tax expense	4,496	8,333

10. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends to equity holders	6,838	14,341

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 28 March 2024, a final dividend of HK0.53 cents per share in respect of the year ended 31 December 2023 have been declared and paid.

The interim dividend of HK0.44 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 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2024	2023
	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	21,868	30,820
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,400,000	1,400,000

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 2024, the additions of property, plant and equipment including furniture, fittings and equipment, motor vehicles, construction in progress and plant and machinery was approximately RMB4,312,000 (six months ended 30 June 2023: RMB432,000). No addition of right-of-use assets included in property, plant and equipment during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB125,000).

During the six months ended 30 June 2024, items of property, plant and equipment including furniture, fittings and equipment and motor vehicle with total carrying amount of approximately RMB10,000 were disposed of (six months ended 30 June 2023: RMB6,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade receivables	79,653	82,610
Less: ECL allowance	(5,325)	(5,502)
	74,328	77,108
Bill receivables	330	4,003
	74,658	81,111
Other receivables		
— Prepayments	278	2,270
— Other tax receivables	8,578	6,908
— Other receivables	7,156	3,085
— Rental and other deposits	1,028	1,196
	17,040	13,459
Less: ECL allowance	(45)	(45)
	16,995	13,414
	91,653	94,525

All bill receivables are due within one year.

The credit period is generally for a period of 0 to 90 days (31 December 2023: 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 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
0–90 days	47,455	55,778
91–180 days	9,804	11,880
181–365 days	10,681	1,784
Over 365 days	6,388	7,666
	74,328	77,108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
At the beginning of the period/year	5,502	4,978
Net (reversal of)/provision for ECL allowance recognised during the period/year	(171)	542
Exchange realignment	(6)	(18)
At the end of the period/year	5,325	5,502

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
At the beginning and the end of the period/year	45	45

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

14.1 Contract assets

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Contract assets arising from		
— Cleanroom projects	168,752	137,144
— Sales of goods	681	712
Less: ECL allowance	(10,875)	(9,319)
	158,558	128,537

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
At the beginning of the period/year	9,319	6,600
Net provision for ECL allowance recognised during the period/year	1,557	2,717
Exchange realignment	(1)	2
At the end of the period/year	10,875	9,319

14.2 Contract liabilities

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Contract liabilities arising from		
— Cleanroom projects from billings in advance of performance	1,370	728
— Receiving deposits of manufacturing orders	9,796	3,884
	11,166	4,612

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

15. TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade payables	92,690	77,312
Bill payables	–	3,875
	92,690	81,187
Other payables		
— Accrued expenses	3,053	9,134
— Other tax payables	1,832	3,102
— Other payables	3,969	6,315
	8,854	18,551
	101,544	99,738

The Group was granted by its supplier credit periods ranging from 30 to 90 days (31 December 2023: 30 to 90 days). Based on the invoice dates, the ageing analysis of trade payables were as follows:

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
0–90 days	75,591	44,414
91–180 days	5,142	9,140
181–365 days	3,896	6,924
Over 365 days	8,061	16,834
	92,690	77,312

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

16. BORROWINGS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Bank loans, wholly repayable within one year or on demand		
— Secured	39,018	41,056
— Unsecured	30,000	18,000
	69,018	59,056

As at 30 June 2024, the bank loans bear effective interest rates ranged from 3.1% to 4.4% (31 December 2023: 3.3% to 4.4%) per annum.

As at 30 June 2024, the Group's bank loans of RMB39,018,000 (31 December 2023: RMB41,056,000) were secured by the legal charges over the Group's freehold land and building.

17. SHARE CAPITAL

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	86,773	86,773
Issued and fully paid:		
1,400,000,000 ordinary shares of HK\$0.01 each	12,152	12,152

There were no movements in the Company's share capital during the six months ended 30 June 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

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	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Sales of goods to related companies		
— Sum Technic Sdn. Bhd.	31	102
Rental income from related companies		
— Sum Technic Sdn. Bhd.	56	57
— Sum System Solution Sdn. Bhd.	9	9

Note: Sum Technic Sdn. Bhd. and Sum System Solution Sdn. Bhd. are related companies of the Group with common directors and shareholders.

18.2 Key management personnel remuneration

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries, allowances and other benefits	4,038	4,087
Retirement scheme contributions	398	387
	4,436	4,474

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets measured at fair values in the condensed consolidated statement of financial position are grouped into three levels fair value hierarchy.

The movement of bank wealth management products during the year/period in the balance of Level 3 fair value measurement is as follows:

	RMB'000
As at 1 January 2023	–
Purchase of bank wealth management products	126,000
Disposal of bank wealth management products	(126,000)
<hr/>	
As at 31 December 2023 and 1 January 2024	–
Purchase of bank wealth management products	37,000
Disposal of bank wealth management products	(34,000)
<hr/>	
As at 30 June 2024	3,000

During the period ended 30 June 2024, there were no transfers between Level 1, Level 2 and Level 3 (31 December 2023: Nil).

Management considered the carrying amounts of financial assets and liabilities of the Group are not materially different from their fair values as at 30 June 2024 and 31 December 2023 due to immediate or short term of maturity.