

Genes Tech Group Holdings Company Limited 靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8257

SHARE OFFER

Sponsor

AmCap

Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator

AmCap

Ample Orient Capital Limited
豐盛東方資本有限公司

Joint Bookrunners and Joint Lead Managers

AmCap

Ample Orient Capital Limited
豐盛東方資本有限公司



潮商 證券有限公司
ChaoShang Securities Limited

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

Genes Tech Group Holdings Company Limited 靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Share Offer

Number of Offer Shares : 250,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares : 25,000,000 (subject to reallocation)
Number of Placing Shares : 225,000,000 (subject to reallocation and the Offer Size Adjustment Option)
Offer Price : Not more than HK\$0.32 per Offer Share and expected to be not less than HK\$0.22 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value : HK\$0.01 per Share
Stock Code : 8257

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潮商證券有限公司
ChaoShang Securities Limited

Co-manager

CHKL | 中港通證券
CHINA-HONG KONG LINK SECURITIES

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 6 July 2017. The Offer Price will not be more than HK\$0.32 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share unless otherwise announced. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Monday, 10 July 2017, the Share Offer will not become unconditional and will lapse. In such event, an announcement will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.genestech.com. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of the Offer Shares initially offered under the Share Offer and/or the indicative Offer Price range below that as stated in this prospectus at any time on or prior to the Price Determination Date. In such case, notice of the reduction in the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.genestech.com.

Prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities law of the United States.

30 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the respective websites of our Company at www.genestech.com and the Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾
2017

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾	11:30 a.m. on Wednesday, 5 July
Application lists of the Public Offer open ⁽³⁾	11:45 a.m. on Wednesday, 5 July
Latest time to lodge WHITE and YELLOW Application Forms ⁽³⁾ and to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, 5 July
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 5 July
Application lists of the Public Offer close ⁽³⁾	12:00 noon on Wednesday, 5 July
Expected Price Determination Date on or around ⁽⁵⁾	Thursday, 6 July
Announcement of the final Offer Price, indications of the levels of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of our Company at www.genestech.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Thursday, 13 July
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from	Thursday, 13 July
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from	Thursday, 13 July
Despatch/Collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁶⁾⁽⁷⁾	Thursday, 13 July
Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁶⁾⁽⁸⁾	Thursday, 13 July

EXPECTED TIMETABLE

Date⁽¹⁾
2017

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions
and refund cheques in respect of wholly or partially unsuccessful
applications pursuant to the Public Offer on or before⁽⁶⁾⁽⁸⁾ Thursday, 13 July

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Friday, 14 July

Notes:

1. All times and dates refer to Hong Kong local times and dates unless otherwise stated.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 July 2017, the application lists will not open on that day. For further information, please refer to the section headed “How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around Thursday, 6 July 2017. The Offer Price will be not more than HK\$0.32 per Offer Share and is currently expected to be not less than HK\$0.22 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.32 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.32 per Offer Share.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 10 July 2017, the Share Offer will not proceed and will lapse.

6. Applicants who apply with **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 13 July 2017. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed “How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

7. Share certificates for the Offer Shares are expected to be issued on Thursday, 13 July 2017 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date.
8. e-Auto refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final offer price is less than the price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution in this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer. The contents on our Company's website at www.genestech.com do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

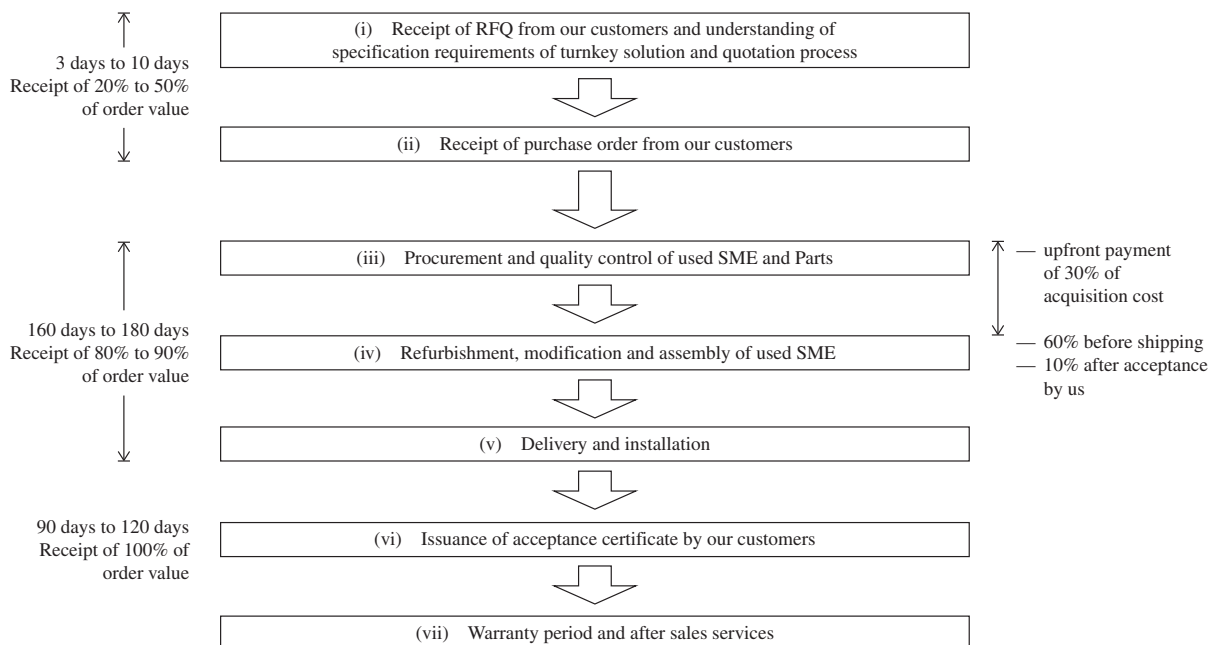
BUSINESS OVERVIEW

We are a turnkey solution provider and exporter of used SME and Parts based in Taiwan. Since the commencement of our business in 2009, our Group has been providing turnkey solution of used SME and Parts to our customers who are mainly semiconductor manufacturers that need to alter and/or upgrade their production system from time to time. In addition to our turnkey solution of used SME and Parts as the major revenue driver of our Group, we also derived revenue from the trading of SME and Parts. According to the Frost and Sullivan Report, in 2015, we contributed a revenue of approximately NTD0.88 billion, representing 4.7% of market share in turnkey solution market in Taiwan. Also, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan.

Our Group focused on providing our customers with SME and Parts including furnace, clean track and others, which are used in the front-end of the semiconductor manufacturing process, wafer fabrication such as deposition, photoresist coating and development. We are responsible for sourcing the used SME and Parts for our customers as part of our integrated solution. Our turnkey solution of used SME and Parts was mainly based on the used SME and Parts under the brand of a leading Japanese manufacturer of which we mainly sourced from overseas dealers and other overseas turnkey solution providers. Our used SME is used by semiconductor manufacturers in manufacturing different sizes of wafer which can be assembled and packaged into different types of semiconductor products. A broad array of products rely on semiconductors to offer increased performance and functionality, including mobile phones, personal digital assistants (PDAs), game consoles, DVD players and many other digital consumer electronic products.

BUSINESS MODEL

The flow chart below illustrates our business model:



SUMMARY

During the Track Record Period, our turnkey solution and trading of SME and/or Parts mainly covered used 200mm and 300mm SME. The following table sets forth a breakdown of our Group's revenue by SME types during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Japanese SME brand:						
— 200mm	611,712	89.1	932,575	90.9	1,054,995	86.2
— 300mm	57,644	8.4	52,060	5.1	25,348	2.1
— Other sizes ⁽¹⁾	3,883	0.6	5,316	0.5	3,594	0.3
— Parts	<u>5,490</u>	<u>0.8</u>	<u>9,888</u>	<u>1.0</u>	<u>5,682</u>	<u>0.5</u>
Total revenue derived from the Japanese brand	<u>678,729</u>	<u>98.9</u>	<u>999,839</u>	<u>97.5</u>	<u>1,089,619</u>	<u>89.1</u>
Other brands:						
— 200mm	7,223	1.1	13,418	1.3	56,470	4.6
— Other sizes ⁽¹⁾	—	—	—	—	46,835	3.8
— Parts	<u>14</u>	<u>0.0</u>	<u>12,662</u>	<u>1.2</u>	<u>30,370</u>	<u>2.5</u>
Total revenue derived from other brands	<u>7,237</u>	<u>1.1</u>	<u>26,080</u>	<u>2.5</u>	<u>133,675</u>	<u>10.9</u>
Total revenue	<u>685,966</u>	<u>100</u>	<u>1,025,919</u>	<u>100</u>	<u>1,223,294</u>	<u>100</u>

Note:

⁽¹⁾ Other sizes include the SMEs for 125mm and 150mm

During our operation process of providing turnkey solution, we may have to pay in advance certain costs and expenses during the preparation of our turnkey solution prior to receipt of contract sums. Given the acquisition cost per unit of used SME is significant, we may face liquidity risk in our future operation. For detailed analysis of liquidity risk faced by our group, please refer to the section headed "Risk Factors — Risks Relating to our Business and Operations — The delay in settlement of payments by our customers notwithstanding our internal control measures may result in untimely and significant cash flow shortcomings and/or liquidity risks in the future and may adversely impact our cash position and results of operation" in this prospectus.

Our Directors are of the view that our Group has sufficient working capital for our future operation needs based on the following: (i) the three-stage instalment payment is considered as our liquidity management policy which strengthens the liquidity position of our Group as detailed under the section headed "Business — Customers, Sales and Marketing — Liquidity management policy" in this prospectus; (ii) our Group had unutilised bank borrowings to provide additional funding for expansion of our business; and (iii) our positive financial position from being a net current asset position during the Track Record Period. For detail analysis of working capital sufficiency of our Group, please refer to the section headed "Financial Information — Analysis of Various Items in the Consolidated Statements of Financial Position — Trade payables — Potential mismatch of trade receivable days and trade payable days" in this prospectus.

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

We have mainly focused on the PRC and Taiwan markets where we have established a stable customer base. Our customer base primarily consists of semiconductor product manufacturers, mainly including leading semiconductor manufacturers that provide wafer fabrication services. For the years ended 31 December 2014, 2015 and 2016, our five largest customers contributed an aggregate of approximately NTD474.1 million, NTD825.5 million and NTD1,001.4 million to our total revenue, respectively, representing approximately 69.1%, 80.5% and 81.9% of our total revenue respectively. For the same periods, our largest customer contributed approximately NTD176.9 million, NTD503.2 million, and NTD494.9 million to our total revenue, respectively, representing approximately 25.8%, 49.0% and 40.5% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties. During the Track Record Period, some of our customers were also our suppliers. Further details are set out in the section headed “Business — Customers, Sales and Marketing — Customer base” in this prospectus.

We source the used SME and Parts mainly from (i) our overseas dealers, (ii) other overseas turnkey solution providers, as well as (iii) SME and Parts disposed by our customers. We also source the Parts from agents in Taiwan or from the Parts manufacturers directly. For the three years ended 31 December 2016, the total purchase from our five largest suppliers amounted to approximately NTD307.8 million, NTD564.3 million and NTD348.3 million, respectively, representing approximately 55.8%, 51.1% and 56.7% of our total purchase of used SME and Parts, respectively. For the same periods, total purchases from our largest supplier amounted to approximately NTD107.1 million, NTD362.4 million and NTD146.2 million, respectively, representing approximately 19.4%, 32.8% and 23.8% of our total cost of sales, respectively. All of our five largest suppliers during the Track Record Period are Independent Third Parties.

Procurement Strategy and Inventory Management Policy

We purchase used SME upon receipt of purchase orders and we also purchase the frequently ordered type of used SME according to the market conditions to lower our cost. Typically we maintain six months’ worth of inventory of Parts as safety stock. We closely monitor our inventory level to meet our requirements, minimise wastage, and avoid stocking up obsolete inventory. For details of inventory management, please refer to the section headed “Business — Raw Materials, Suppliers and Procurement — Procurement strategy and inventory management policy” in this prospectus.

Our pricing

We adopt a cost-plus pricing model and when determining the appropriate mark-up, we take into account of our customers’ acceptable range of price based on our past dealings with the customers and a number of other factors such as the scale, technical complexity required for the provision of turnkey solution and specification of the purchase orders, our capacity, the business relationship with the customers, the estimated cost (which mainly includes the direct labor costs and material purchase costs), the availability of the SME and Parts and competition in the market. Please refer to the section headed “Business — Customers, Sales and Marketing — Pricing policy” in this prospectus for further analysis of pricing policy.

COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive advantages:

- We are one of the leading turnkey solution providers and exporters of used SME and Parts under the Japanese brand in Taiwan;
- We have an experienced and stable management team, a team of project managers with technical expertise and highly skilled employees;
- We adopt a comprehensive quality management system with quality control mechanisms which is also recognised by our customers; and
- We have stable relationship with our major suppliers.

SUMMARY

BUSINESS OBJECTIVES AND STRATEGIES

The principal business objective of our Group is to further strengthen our position as a provider of used SME with turnkey solution in Taiwan and the PRC in order to achieve sustainable growth in our business and create long-term shareholders' value. The following are our strategies to achieve the same:

- Strengthening sales and capturing opportunities in the used SME industry in the PRC and Taiwan;
- Building an extra floor on our existing headquarter;
- Maintaining a healthy financial position and liquidity by repaying our loan;
- Continuing effort in research and development; and
- Recruiting and expanding our team of skilled and technical personnel and strengthening our expertise in the semiconductor industry.

FUTURE PLANS AND USE OF PROCEEDS

Reasons for the Share Offer

If our Group had opt not to declare the significant amount of cash dividends during the Track Record Period, our Directors are of the views that our Group would have sufficient internal resources to fund a substantial part of our future plans without relying on the Share Offer proceeds. Please refer to the section headed “Business Objectives, Future Plans and Use of Proceeds — Reasons for the Share Offer” in this prospectus. The Share Offer will broaden our Group’s capital base and provide us with additional funding to implement our future plans. Furthermore, our Directors are of the view that, the Listing enables our Group to accomplish the following:

- Provide access to additional financing sources
- Increase public awareness and public interest in our Group and the services provided by us
- Raise our corporate profile as a turnkey solution provider of the used SME

Please refer to the section headed “Business Objectives, Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

On the basis that the Offer Price is HK\$0.27, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.32 per Share, our Directors estimate that the net proceeds from the Share Offer payable to us (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) will be approximately NTD174.7 million, equivalent to approximately HK\$43.7 million (assuming that the Offer Size Adjustment Option is not exercised). Our Directors intend that the net proceeds received from the Share Offer will be applied for the period from the Listing Date to 30 June 2020 as follows:

	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	Total	Equivalent to HKD million	% of proceeds
	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million		
Build an extra floor on our existing headquarter	—	46.5	—	—	—	—	46.5	11.6	26.6
Repay bank loans	10.8	13.6	13.6	13.6	13.6	13.2	78.4	19.6	44.9
Research and development	4.6	2.7	1.2	1.2	1.1	—	10.8	2.7	6.2
Recruiting new staff	1.0	2.4	2.7	4.5	6.2	6.2	23.0	5.8	13.2
Working capital	—	12.0	1.0	1.0	1.0	1.0	16.0	4.0	9.1
Total	16.4	77.2	18.5	20.3	21.9	20.4	174.7	43.7	100

If the Offer Size Adjustment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately NTD39.1 million, equivalent to approximately HK\$9.8 million. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be applied pro rata to the above mentioned purposes.

SUMMARY

SUMMARY OF OUR FINANCIAL PERFORMANCE

The tables below present a summary of our financial information for the years indicated and should be read in conjunction with our financial information as set out in Appendix I to this prospectus.

Key information from the consolidated statements of comprehensive income

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Revenue	685,966	1,025,919	1,223,294
Gross profit	157,152	214,966	234,982
Net profit for the year	<u>55,241</u>	<u>61,570</u>	<u>12,111</u>
Adjusted net profit for the year (excluding listing expenses) ⁽¹⁾	<u>55,241</u>	<u>64,608</u>	<u>51,087</u>

Note:

- (1) The adjusted net profit for the year (excluding listing expense) is a non-IFRS measure for the purpose of reflecting principally the financial performance of our Group from our usual course of business.

Revenue

For the year ended 31 December 2015, our overall revenue increased from approximately NTD686.0 million for the year ended 31 December 2014 to NTD1,025.9 million, representing an increase of approximately 49.6%. Our overall revenue further increased from approximately NTD1,025.9 million for the year ended 31 December 2015 to approximately NTD1,223.3 million for the year ended 31 December 2016, representing an increase of approximately 19.2%. Such increase was mainly attributed to the increasing market demand of semiconductors products triggered by the recent tremendous growth of the wearable devices market.

The following table sets forth a breakdown of the revenue of our Group by types of business during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Turnkey solution	629,164	91.7	881,099	85.9	1,094,222	89.4
Trading of SME and Parts	56,802	8.3	144,820	14.1	129,072	10.6
Total revenue	<u>685,966</u>	<u>100</u>	<u>1,025,919</u>	<u>100</u>	<u>1,223,294</u>	<u>100</u>

Revenue by geographic locations

The following table sets forth a breakdown of our Group's revenue by geographic locations of our customers during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Taiwan	325,440	47.4	379,469	37.0	555,293	45.4
The PRC	209,078	30.5	512,577	50.0	553,254	45.2
South Korea	21,713	3.2	57,688	5.6	34,968	2.9
Singapore	73,368	10.7	48,603	4.7	32,546	2.7
The United States	56,218	8.2	27,013	2.6	17,458	1.4
Others	149	0.0	569	0.1	29,775	2.4
Total revenue	<u>685,966</u>	<u>100</u>	<u>1,025,919</u>	<u>100</u>	<u>1,223,294</u>	<u>100</u>

SUMMARY

Cost of Sales

The following table sets forth the breakdowns of the cost of sales of our Group during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Material costs	421,481	79.7	636,867	78.5	800,446	81.0
Manufacturing overheads	51,416	9.7	63,563	7.9	83,978	8.5
Direct labour	38,651	7.3	56,097	6.9	85,436	8.6
Others ⁽¹⁾	17,266	3.3	54,396	6.7	18,452	1.9
	<u>528,814</u>	<u>100</u>	<u>810,923</u>	<u>100</u>	<u>988,312</u>	<u>100</u>

Note:

(1) others include cost of warranty and provisions on inventories.

Gross Profit and Gross Profit Margin

Gross profit represents the excess of revenue over cost of sales. The following table sets forth a breakdown of our gross profit and gross profit margin by types of business during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	Margin %	NTD'000	Margin %	NTD'000	Margin %
Turnkey solution	150,748	24.0	199,650	22.7	210,764	19.3
Trading of SME and Parts	6,404	11.3	15,346	10.6	24,218	18.8
Total gross profit	<u>157,152</u>	<u>22.9</u>	<u>214,996</u>	<u>21.0</u>	<u>234,982</u>	<u>19.2</u>

The overall gross profit of our Group was mainly driven by the provision of our turnkey solution which has generally accounted for over 89% of our gross profit during the Track Record Period. Our Group was able to maintain an overall gross profit margin of over 19% during the Track Record Period. The overall increasing trend in our gross profit for the three years ended 31 December 2016 was generally in line with the growth in our revenue despite the downward trend of our gross profit margin for the respective years.

The decreasing trend in our gross profit margin of turnkey solution during the Track Record Period was mainly attributable to (i) the upward trend in both our material costs and labor costs in the market and (ii) the increase in our direct labour cost due to the relatively higher discretionary employee bonus granted to our engineers in 2015. Excluding the portion of discretionary employee bonus granted to our engineers for the three years ended 31 December 2016, our adjusted gross profit margin derived from turnkey solution would have been approximately 26.5%, 26.2% and 24.7%, respectively. While our adjusted gross profit margins remained relatively stable for the two years ended 31 December 2015, the drop for the year ended 31 December 2016, was mainly attributable to the increasing trend in material cost as a result of the trend of appreciation in USD/NTD in 2015. Such relatively higher material purchase costs in 2015 had resulted in an increase in our cost of sales as our turnkey solution being certified and recognised as revenue during the year ended 31 December 2016. The drop in our gross profit margin was partially offset by the growth in our gross profit margin derived from our SME and/or Parts trading company customers for the respective year, which was mainly driven by the sales to a new customer located in the PRC. From the sales of which, we have derived a relatively higher gross profit margin by providing our turnkey solution upon the used SME and Parts possessed by our customer.

SUMMARY

The gross profit margin of our trading of SME and Parts business was approximately 11.3%, 10.6% and 18.8% for the three years ended 31 December 2016, respectively. For our sales to our overseas turnkey solution providers, we participated in the trading of used SME and Parts we acquired in the secondary market and/or from our SME manufacturer customers upon our regular assessment of our inventory on hand and pricing policy, where we had recorded gross profit margins of approximately -15.9%, -4.9% and 3.9% of our revenue derived from overseas turnkey solution provider for the three years ended 31 December 2016, respectively. Our Directors regarded the overall negative and low profit margin resulting from our sales to other turnkey solution providers as part of the operating expense and associated inventory risk borne by our Group in the course of our business operation. Alongside with such practice in our business operation, our Group has demonstrated that we were able to maintain an overall positive gross profit margin during the Track Record Period. For detailed explanation of our business with our other turnkey solution providers, please refer to section headed “Business — Customers, Sales and Marketing — Overseas turnkey solution providers” in this prospectus.

Total comprehensive income, net profit and net profit margin

Our net profit was approximately NTD55.2 million, NTD61.6 million and NTD12.1 million for the three years ended 31 December 2016, representing a net profit margin of approximately 8.1%, 6.0% and 1.0% respectively. While the growth in our net profit for the year ended 31 December 2015 was mainly attributable to the respective growth in our revenue, the overall drop in our net profit margin was generally in line with the decreasing gross profit margins and the increasing general and administrative expenses during the respective year, which have been explained above. The decreasing trend of our net profit margins and relatively lower net profit of our Group for the year ended 31 December 2016 was primarily attributable to: (i) the recognition of our listing expenses of approximately NTD39.0 million; (ii) other loss of approximately NTD10.6 million mainly due to the depreciation of USD/NTD throughout 2016; (iii) the payment of withholding tax of approximately NTD11.6 million due to the intra-group dividend declared by Genes Tech to Top Vitality, a foreign non-Taiwan resident enterprise; and (iv) the decreasing trend in our gross profit margin. Excluding the non-recurring listing expenses incurred during the respective years as a non-IFRS measure for the purpose of reflecting principally the financial performance of our Group from our usual course of business, our adjusted net profit would have become approximately NTD55.2 million, NTD64.6 million and NTD51.1 million, respectively, representing the adjusted net profit margins of approximately 8.1%, 6.3% and 4.2%, respectively.

For the year ended 31 December 2016, our Group had an other comprehensive loss of approximately NTD0.2 million, mainly being the exchange difference from the translation of the financial statements of Top Vitality, of which Hong Kong Dollar is the functional currency. We have a total comprehensive income for the year attributable to owners of the Company of approximately NTD55.2 million, NTD61.6 million and NTD11.9 million for the three years ended 31 December 2016, respectively.

Key information from consolidated statements of cash flows

The following table presents the selected cash flows data for the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Net cash generated from/(used in) operating activities	34,560	113,555	(102,430)
Net cash used in investing activities	(5,225)	(12,163)	(30,261)
Net cash generated from/(used in) financing activities	13,286	(57,179)	49,307
Net increase/(decrease) in cash and cash equivalents	42,621	44,213	(83,384)
Cash and cash equivalents at the beginning of the year	75,817	118,438	162,651
Effect of foreign exchange rate changes	—	—	(175)
Cash and cash equivalents at the end of the year	<u>118,438</u>	<u>162,651</u>	<u>79,092</u>
Operating profit before working capital changes	<u>99,433</u>	<u>140,368</u>	<u>79,438</u>

SUMMARY

Key information from consolidated statements of financial position

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Current assets	818,629	1,294,578	944,352
Non-current assets	251,171	253,414	273,875
Current liabilities	717,510	1,170,749	798,152
Non-current liabilities	130,948	124,331	171,333
Net current assets	101,119	123,829	146,200
Net assets	221,342	252,912	248,742

SELECTED KEY FINANCIAL RATIOS

	As at/For the year ended 31 December		
	2014	2015	2016
Current ratio	1.1 times	1.1 times	1.2 times
Gearing ratio	188.7%	155.1%	190.2%
Debt to equity ratio	135.2%	93.3%	158.4%
Interest coverage	9.8 times	10.5 times	5.3 times
Return on total assets	5.2%	4.0%	1.0%
Return on equity	25.0%	24.3%	4.9%

Please refer to the section headed “Financial Information — Selected Key Financial Ratios” in this prospectus.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We currently expect that our net profit for the year ending 31 December 2017 will be negatively impacted by the listing expenses of approximately NTD25.6 million (calculated on the assumption of an Offer Price of HK\$0.27 per Share, being the mid-point of the proposed Offer Price range of between HK\$0.22 and HK\$0.32), all of which will be listing expenses to be recognised as expenses in our consolidated statement of comprehensive income and the remaining listing expenses which are directly attributable to issuing new shares will be deducted from equity upon the completion of the Share Offer.

In addition to the aforementioned impact from the recognition of listing expenses, our net profit for year ending 31 December 2017 is expected to be further negatively affected by (i) the expected exchange loss due to the recent depreciation of USD/NTD up to April 2017; and (ii) the impacts on our gross profit margin as a result of the increasing trend of our staff cost and the cost of used SME and parts. For details of the risks of the uncertainty in the sustainability of our gross profit margin, please refer to the section headed “Risk Factors — Risks Relating to our Business and Operations — We may be unable to maintain our historical gross profit margins” in this prospectus.

Save as disclosed above, there had not been, as far as we are aware of, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 31 December 2016 and up to the date of this prospectus.

SUMMARY

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial position of our Group since 31 December 2016, being the end of the period reported on in the Accountants' Report, and there had been no event since 31 December 2016 and up to the date of this prospectus which could materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Based on the Offer Price of HK\$0.27 (being the mid-point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Share Offer are approximately NTD95.3 million, equivalent to approximately HK\$23.3 million, of which approximately NTD3.0 million has been charged to our consolidated statement of comprehensive income for the year ended 31 December 2015 and approximately NTD39.0 million has been charged to our consolidated statement of comprehensive income for the year ended 31 December 2016, and approximately NTD25.6 million is expected to be charged to our consolidated statement of comprehensive income for the year ending 31 December 2017, and approximately NTD27.7 million is expected to be directly attributable to issue of Shares and accounted for as a deduction from equity upon the successful listing under the relevant accounting standards.

STATISTICS OF THE SHARE OFFER

	<u>Based on an Offer Price of HK\$0.22 per Offer Share (low-end of Offer Price)</u>	<u>Based on an Offer Price of HK\$0.32 per Offer Share (high-end of Offer Price)</u>
Market capitalisation of the Shares ^(Note 1)	HK\$220 million	HK\$320 million
Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share ^(Note 2)	HK10 cents	HK13 cents

Note:

- (1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue upon completion of the Capitalisation Issue and Share Offer assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share has been prepared with reference to certain estimation and adjustments. Further details are set out in Appendix II to this prospectus.

OUR SHAREHOLDERS

Pre-IPO investment by Double Solutions

On 23 June 2016, Top Vitality and Double Solutions entered into the share subscription agreement. Details of the share subscription are set out in the section headed "History, Reorganisation and Group Structure — Pre-IPO Investment" in this prospectus.

Controlling Shareholders and Substantial Shareholders

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and share option that may be granted under the Share Option Scheme), the Concert Parties, Queenbest, Ever Wealth and Planeta will be interested in approximately 68.2% of the issued share capital of our Company.

SUMMARY

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net proceeds of the Share Offer, the banking facilities available to our Group and the internally generated funds, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this prospectus. For further details, please refer to “Financial Information — Working Capital” in this prospectus.

DIVIDEND

For the three years ended 31 December 2016, our Group declared dividends of approximately NTD28.8 million, NTD60.0 million and NTD48.3 million, respectively. The dividends were paid to our then shareholders, which were settled by cash or issuance of new shares. For the year ended 31 December 2014, the dividend were settled by cash. For the year ended 31 December 2015, NTD30.0 million were settled by cash and NTD30.0 million were settled by the issuance of bonus shares. For the year ended 31 December 2016, Genes Tech, the principal subsidiary of our Group declared intra-group dividends of NTD60.0 million. The dividend was paid to Top Vitality, a direct wholly-owned subsidiary of our Company, by cash subsequently. Such intra-group dividend paid to a non-Taiwan resident enterprise, or profit seeking enterprise is subject to withholding tax of 20%. Subsequent to the intra-group dividend, interim dividends of approximately NTD48.3 million were declared by our Group to our then shareholders, and were fully settled by cash. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of dividend payments.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. We currently do not have a formal dividend policy or a fixed dividend distribution ratio. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operation, financial condition, and other factors our Board may deem relevant. Also, according to the relevant provisions of the Taiwan Income Tax Act, a company shall withhold 20 percent of net dividends allocated to a non-Taiwan resident enterprise, or profit seeking enterprise (or an applicable lower tax rate provided by a tax treaty applicable to the company) for income tax since dividends are Taiwan source income. For further details of the relevant provisions of the Taiwan Income Tax Act, please refer to section headed “Regulatory Overview — Laws and Regulations in Taiwan — 1. Dividend and bonus distributions” in this prospectus.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks associated with us, our industry and the Share Offer, among which, the relatively material risks encompass the following:

1. Our operation could be adversely affected by a shortage of used SME supplies. If the generation has been obsolete and no longer being manufactured by the manufacturer, the supplies of which will be limited in the market. If we encounter difficulty in sourcing for available used SME in the market, our business model will materially and adversely affected.
2. We may have concentration risks as our used SME are mainly refurbished from used SME under the brand of a leading Japanese manufacturer. During the Track Record Period, over 89% of our total revenue were derived based on the SME of this brand. Such concentration may exert adverse effect on our operation.
3. We rely on our major suppliers for a stable supply of used SME and Parts. If our existing suppliers do not continue to supply us with used SME and Parts, our operation could be affected, and our financial condition could also be adversely affected.
4. We may be unable to maintain a positive gross profit margin from the trading of used SME and Parts with other turnkey solution providers. During the Track Record Period, we had recorded gross (loss)/profit margins of approximately -15.9%, -4.9% and 3.9% for our sales to our overseas turnkey solution providers.
5. Fluctuation in the exchange rates of NTD/USD and NTD/HKD may have a material adverse effect on our financial performance and your investment. Our Group's sales receipts are denominated in NTD and USD while the purchases are denominated in USD. The Group may also need to convert HKD to be received from our Share Offer into NTD for our operations and convert NTD into HKD for the purpose of making payments for dividends on our Shares or for other business purposes. Any unfavorable movement in the exchange rates may have a material adverse effect on our financial performance.

Details of these risks are set out in the section headed "Risk Factors" in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“Ample Capital” or “Sponsor”	Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the Share Offer
“Application Forms”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 20 June 2017 to take effect on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under Rule 20.06(2) of the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 749,990,000 Shares to be made upon capitalisation of an amount of HK\$7,499,900 standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on 20 June 2017” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China”, “Mainland” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Genes Tech Group Holdings Company Limited (靖洋集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 June 2016
“Concert Parties”	Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin (a group of Controlling Shareholders)
“Concert Party Agreement”	a concert party agreement dated 22 August 2016 entered into by the Concert Parties, a summary of which is set out in the section headed “Relationship with Controlling Shareholders — Summary of the Concert Party Agreement” in this prospectus
“connected person(s)”	has the same meaning ascribed to it under Rule 20.06(7) of the GEM Listing Rules
“Controlling Shareholder(s)”	the controlling shareholder(s) (having the meaning ascribed to it under the GEM Listing Rules) of our Company, namely, Queenbest, Ever Wealth, Planeta and the Concert Parties (comprising Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin)

DEFINITIONS

“Deed of Non-Competition”	a deed of non-competition dated 20 June 2017 entered into by our Controlling Shareholders in favour of our Company, details of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Double Solutions”	Double Solutions Limited, a company with limited liability incorporated in the Republic of Seychelles on 22 April 2016 and is one of our Shareholders
“Ever Wealth”	Ever Wealth Holdings Limited, a company with limited liability incorporated in the Republic of Seychelles on 19 June 2013 and is one of our Controlling Shareholders
“Frost and Sullivan”	Frost & Sullivan Limited, a market research and consulting company, an Independent Third Party
“Frost and Sullivan Report”	an independent market research report prepared by Frost and Sullivan on market landscape and competitive analysis for the turnkey solution market in Taiwan, details of which are set out in the section headed “Industry Overview” in this prospectus
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Genes Tech”	Genes Tech Co., Ltd. (靖洋科技股份有限公司), a company with limited liability incorporated in Taiwan on 28 December 2009 and an indirect wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”	our Company together with its subsidiaries and in respect of the period before our Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of our Company
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting application online at the designated website at www.hkeipo.hk

DEFINITIONS

“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “HKD” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	party or parties that is not or are not a connected person(s) of our Company within the meaning of the GEM Listing Rules
“ITRI”	Industrial Technology Research Institute of Taiwan, a non-profit research and development organization founded in 1973
“Joint Bookrunners” or “Joint Lead Managers”	Ample Orient Capital Limited and ChaoShang Securities Limited
“JPY”	Japanese yen, the lawful currency of Japan
“KRX”	the Korea Exchange
“Latest Practicable Date”	21 June 2017, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the GEM first commence, which is expected to be on Friday, 14 July 2017
“Listing Division”	the listing division of the Stock Exchange
“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with GEM

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted upon the incorporation of our Company and as amended from time to time
“MOEAIC”	Investment Commission, Ministry of Economic Affairs, R.O.C. (中華民國經濟部投資審議委員會), an authority responsible for promotion of Taiwanese economic development and attraction investment from overseas
“Mr. Fan”	Mr. Fan Chiang-Shen, an executive Director and a Controlling Shareholder
“Mr. Lin”	Mr. Lin Yen-Po, a member of our senior management and a Controlling Shareholder
“Mr. Yang”	Mr. Yang Ming-Hsiang, an executive Director and a Controlling Shareholder
“Ms. Wei”	Ms. Wei Hung-Li, an executive Director and a Controlling Shareholder
“NASDAQ”	the NASDAQ Stock Market
“Nomination Committee”	the nomination committee of the Board
“NTD” or “NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“NYSE”	the New York Stock Exchange
“Offer Price”	the price for each Offer Share of not more than HK\$0.32 and expected to be not less than HK\$0.22 (exclusive of a brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Placing Shares and Public Offer Shares
“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator or its agent on behalf of the Placing Underwriters, at its sole and absolute discretion, whereby our Company may be required to allot and issue up to 37,500,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement
“Placing”	the conditional placing by the Underwriters on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described under the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	225,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Placing together, subject to reallocation and where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option and a “Placing Share” means any one of these Shares
“Placing Underwriters”	the underwriters in respect of the Placing named in the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sponsor, the Sole Global Coordinator, the Placing Underwriters and other parties relating to the Placing
“Planeta”	Planeta Investments Limited, a company with limited liability incorporated in Anguilla on 18 June 2013 and is one of our Controlling Shareholders
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, which is expected to be on or around Thursday, 6 July 2017, on which the Offer Price is to be fixed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) for the purpose of the Share Offer but in any event no later than Monday, 10 July 2017
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 25,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters in respect of the Public Offer named in the section headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 June 2017 entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters relating to the Public Offer, particulars of which are described in the section headed “Underwriting” in this prospectus
“Queenbest”	Queenbest Development Limited (佳建發展有限公司), a company with limited liability incorporated in the BVI on 25 September 2009 and is one of our Controlling Shareholders
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group in preparation for Listing as described in the section headed “History, Reorganisation and Group Structure — Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by the Shareholders, particulars of which are set out in the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 6. Repurchase of Shares by our Company” in Appendix V to this prospectus
“Risk Management Committee”	the risk management committee of the Board
“Taiwan GAAP”	generally accepted accounting principles in Taiwan
“SEMI”	Semiconductor Equipment and Materials International, a global industry association serving the manufacturing supply chain for the electronics industry. It organizes regional trade events and conferences and conducts industry research and reports market data
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Placing and the Public Offer
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to the resolutions in writing of all our Shareholders passed on 20 June 2017 as described in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix V to this prospectus
“Sole Global Coordinator”	Ample Orient Capital Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	the substantial shareholder(s) of our Company having the meaning ascribed to it in the GEM Listing Rules
“Taiwan Legal Advisers”	Lee and Li, Attorneys-at-Law, our legal advisers as to the laws of Taiwan
“Tai Yi”	Tai-Yi Investment Co. Ltd (台儀投資事業有限公司) (formerly known as 可揚投資有限公司), a company with limited liability incorporated in Taiwan on 5 September 2007 and is one of our Controlling Shareholders. To the knowledge and belief of our Directors, the principal business of Tai Yi is investment
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Top Vitality”	Top Vitality Limited (佳峰有限公司), a company with limited liability incorporated in Anguilla on 28 April 2016 and a direct wholly-owned subsidiary of our Company
“TPEX”	the Taipei Exchange
“Track Record Period”	the years ended 31 December 2014, 2015 and 2016
“TWSE”	the Taiwan Stock Exchange
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“USA” or the “United States”	the United States of America
“USD”, “US dollars” or “US\$”	the United States dollars, the lawful currency of the United States of America
“ WHITE Application Form(s)”	the form of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name

DEFINITIONS

“ YELLOW Application Form(s)”	the form of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“sq. m.”	square meters
“%”	per cent.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For the purpose of illustration only and unless otherwise specified in this prospectus, the translation of New Taiwan dollars into Hong Kong dollars have been made at the rate of NTD4.00 to HK\$1.00. No representation is made that the NTD amounts could have been, or could be, converted into Hong Kong dollars of such rates or any other rate.

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Offer Size Adjustment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions of technical terms used in this prospectus as they relate to our Group and as they are used in this prospectus in connection with our Group's business or our Group. Some of these definitions may not correspond to standard industry definitions.

“clean room”	a room enclosures systems together with automation control and monitoring systems, aiming to create controlled clean environment
“ERP”	enterprise resources planning
“foundry”	a semiconductor manufacturing plant that manufactures semiconductor devices on an OEM basis
“IC”	integrated circuit
“IP designer”	intellectual property designer
“MCU”	microcontrollers, a computer present in a integrated circuit
“MEMS”	micro-electro-mechanical system, a process technology used to create tiny integrated devices
“MOCVD”	metalorganic chemical vapor deposition is a technology that is used to deposit very thin layers of atoms onto a semiconductor wafer
“ODM”	original design manufacturer
“OEM”	original equipment manufacturer
“Parts”	components and accessories of SME such as pump, cooling water pipe, filter, baratron sensor and condenser
“RFQ”	request for quotation
“Seiketsu”	standardize, stabilize and conformity
“Seiri”	sort, cleaning and classify
“Seiso”	sweep, shine, scrub, clean and check
“Seiton”	straighten, simplify, set in order and configure
“Shitsuke”	sustain, self discipline, custom and practice
“SME”	semiconductor manufacturing equipment

GLOSSARY OF TECHNICAL TERMS

“turnkey solution”	a term commonly used in the semiconductor industry to refer to the provision of solution in the form of customized refurbished SME, the customer of which only need to power up the SME (i.e. turn the key) to make it operational with only minimal configuration, details of which are set out in the section headed “Business — Our Solution and Products — (i) Turnkey solution of used SME and Parts” in this prospectus
“UVC-LED”	ultraviolet C light emitting diodes
“wafer manufacturer”	a semiconductor manufacturing plant that designs, manufactures and markets semiconductor devices such as IC
“200mm SME”	SME for 200mm wafers
“300mm SME”	SME for 300mm wafers
“450mm SME”	SME for 450mm wafers

FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Industry Overview”, “Business”, and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plan of operations;
- its capital expenditure and funding plans;
- projects under construction and planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in the section headed “Financial Information” in this prospectus with respect to trends in prices, volumes, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the integrated circuits industry in general and the level of policy support; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

FORWARD-LOOKING STATEMENTS

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representation by our Company that its plan, or objective will be achieved. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

Prospective investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and uncertainties described below and associated with an investment in our Company before making any investment decision regarding our Company. Any of the risks and uncertainties described below should have a material adverse effect on our business, financial condition, results of operation, or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our operation could be adversely affected by a shortage of used SME supplies

We are a turnkey solution provider and exporter of used SME and Parts in Taiwan. According to the Frost and Sullivan Report, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan. We may experience shortage of the supply, or delay in the supply of used SME. As our turnkey solution of used SME are customized to integrate into our customers' existing production lines, in some cases we may need to source specific models of used SME in order to refurbish them into SME with the same specifications of our customers' existing production lines. During the Track Record Period, our turnkey solution of used SME is mainly manufactured by a leading manufacturer in Japan and we source the used SME from worldwide suppliers. If we failed to source the appropriate used SME at a competent price, we cannot provide a competent turnkey solution of used SME to our customers and our customers may turn to other used SME turnkey solution providers or source from the original manufacturer of the SME for first-hand SME.

If the SME generation has been obsolete and no longer being manufactured by the manufacturer, the supplies of such older generation's used SME will become limited in the market, and at the same time, there may not be sufficient number of new generation used SME available in the market. Our business is dependent on how well our customers adapt and respond to SME generation advancement. If we encounter difficulty in sourcing for available used SME in the market, our business model will be materially and adversely affected.

We may have concentration risks as our used SME are mainly refurbished from used SME under the brand of a leading Japanese manufacturer

The used SME sold by us was mainly refurbished from used SME under the brand of a leading Japanese manufacturer. During the Track Record Period, over 89% of our total revenue were derived based on the SME of this brand. Such concentration may exert adverse effect on our operation if (i) the majority of our customers change their production lines by replacing the SME under this Japanese brand with other brands; (ii) there is a shortage of used SME supplies under this Japanese brand; (iii) there are material swings in the semiconductor industry resulting in the contraction of market share of this Japanese brand; and (iv) there is a material disruption to the operation of the Japanese manufacturer. In such cases, our Group may become accustomed to this Japanese brand and may fail to compete in other brands with our competitors.

RISK FACTORS

We cannot assure that the popularity of this Japanese brand in the market will sustain in the future. For further details of our concentration on the Japanese SME brand, please refer to section headed “Business — Reliance on one Japanese SME brand” in this prospectus.

We rely on our major suppliers for a stable supply of used SME and Parts

For the years ended 31 December 2014, 2015 and 2016, our five largest suppliers accounted for approximately 55.8%, 51.1% and 56.7% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 19.4%, 32.8% and 23.8% of our total purchase, respectively. We have not entered into long-term agreements with our suppliers. We source used SME and Parts in accordance with our turnkey solution purchase orders received from our customers and we also purchase the frequently ordered type of used SME according to the market conditions to lower our cost. The future relationship between us and our suppliers and the willingness of our suppliers to supply used SME and Parts to us will be critical to our business and operations. If our existing suppliers do not continue to supply us with used SME and Parts, our operation could be affected, and our financial condition could also be adversely affected.

We may be unable to maintain a positive gross profit margin from the trading of used SME and Parts with other turnkey solution providers

During the Track Record Period, we had recorded gross (loss)/profit margins of approximately -15.9%, -4.9% and 3.9% for our sales to our overseas turnkey solution providers. Our Group participated in the trading of used SME and Parts we acquired from the secondary market and/or from our SME manufacturer customers upon our regular assessment on our inventory on hand.

The selling price of the used SME and Parts sold by our Group will depend on the demand in the market with reference to the second-hand market prices. For some models that our Group consider to be in less demand in the market, our Group will set the selling price based on the second-hand market price, which in general would be approximated to the acquisition cost of our Group. During the Track Record Period, our Group had recorded loss or low gross margins from the trading of certain models of used SME at selling price approximated to our acquisition cost, after taking into consideration of the cost of sales, including the relevant transportation cost, storage cost and exchange loss.

There is no assurance that we will be able to maintain a positive profit margin from the trading of used SME and Parts with other turnkey solution providers.

Fluctuation in the exchange rates of NTD/USD and NTD/HKD may have a material adverse effect on our financial performance and your investment

The exchange rates of NTD against foreign currencies, including the USD and the HKD are affected by, among other things, changes in economic conditions in the international market. Our Group’s sales receipts are denominated in NTD and USD while the purchases are denominated in USD. Any unfavorable movement in the exchange rate of USD against the NTD may lead to an increase in our Group’s cost of sales or a decrease in revenue recognised, which could lead to translation loss and/or exchange loss and adversely affect our Group’s results of operations and financial condition.

RISK FACTORS

To the extent that we need to convert HKD to be received from our Share Offer into NTD for our operations, appreciation of NTD against the HKD would have an adverse effect on the NTD amount we would receive from the conversion. Conversely, if we need to convert NTD into HKD for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of HKD against NTD would have a negative effect on the Hong Kong dollar amount available to our Group.

For the three years ended 31 December 2016, our Group has incurred exchange gain/(loss) of approximately NTD5.1 million, NTD(15.6) million and NTD(24.8) million, respectively, derived from our revenue, which is denominated in USD.

For the three years ended 31 December 2016, our Group has incurred exchange gain/(loss) of approximately NTD(5.0) million, NTD1.0 million and NTD7.7 million, respectively, derived from our purchase, which is denominated in USD.

For the three years ended 31 December 2016, our Group has incurred exchange gain/(loss) of approximately NTD10.8 million, NTD5.7 million and NTD(15.0) million, respectively, derived from our assets and liabilities, which are denominated in USD.

To date, our Group has not entered into any agreements to hedge its exchange rate exposure. If our Group enters into such hedges in the future, their effectiveness may be limited and our Group may be unable to hedge its exposure successfully, or at all.

We may have concentration risks as over 85% of our total revenue is derived from the provision of turnkey solution of 200mm SME under the Japanese brand

During the Track Record Period, over 85% of our total revenue were derived from the provision of turnkey solution of 200mm SME under the Japanese brand. We cannot assure that the popularity of 200mm SME in the market will sustain in the future. Such concentration may exert adverse effect on our operation if (i) the demand of 200mm SME significantly decrease; and (ii) there is a shortage of used 200mm SME supplies under this Japanese brand. In such cases, our business and results of operations would be adversely affected.

Our revenue may vary from period to period due to adjustment on production capacity of our customers based on the estimated development of downstream semiconductor industries

As we are a used SME turnkey solution provider, we believe that the demand of our solution is partly driven by our customer's intention to increase their production capacity. For our customers, they mainly use our used SME to manufacture semiconductor products to be used in the downstream semiconductor industries such as mobile phones, personal computers, game consoles, DVD players and many other digital consumer electronic products. As such, a change in demand in the downstream semiconductor industries will affect our customer's production capacity planning and also impact on the demand of our turnkey solution.

With the rapid development of the downstream semiconductor industries, semiconductor manufacturers (i.e. our potential customers) are likely to base their production capacity on their estimation of downstream semiconductor products. In the event that the downstream semiconductor industries do not grow at the expected rate or such estimation materially deviates from the actual market

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development, there may be excess production capacity for the semiconductor product production lines. This may in turn weaken the demand for our turnkey solution. As a result, our financial condition, results of operations and future prospects may be materially and adversely affected.

We do not enter into long-term sales contract with any of our customers. The purchasing patterns from our customers are affected by a variety of factors which are beyond our control, including but not limited to the abovementioned market demand for downstream semiconductor industries, our customers' current production capacity, and their production expansion plans. Generally speaking, adjustment in maximum production capacity cannot take place timely and elastically as it involves intensive capital investment. As a result, our revenue and results of operations may fluctuate from period to period due to cyclical adjustment of the production capacity of our customers.

We may be unable to maintain our historical gross profit margins

During the Track Record Period, we had attained a total gross profit margin of approximately 22.9%, 21.0% and 19.2%, respectively. However, the gross profit margin we attained during the Track Record Period may not be taken as a reference to estimate our gross profit margin in the future. Our ability to maintain our historical profit margin is contingent on a variety of competitive, industrial, macroeconomic, fluctuations in material costs and labor costs, governmental and regulatory factors and conditions which are beyond our control.

There is no assurance that we will be successful in meeting all challenges and addressing the risks and uncertainties as we may face in developing our business and our gross profit margin can be maintained at the level similar to those in the Track Record Period. Should we fail to maintain such high gross profit margin, our financial results may be adversely affected.

Our past financial performance may not be indicative of our future financial performance and we have experienced a increase in profit for the year ended 31 December 2015 compared to the corresponding period in 2014, and decline in profit for the year ended 31 December 2016 compared to the corresponding period in 2015

From the year ended 31 December 2014 to the year ended 31 December 2015, our revenue increased from approximately NTD686.0 million to NTD1,025.9 million, (representing an increase of approximately 49.6%), while our net profit increased from NTD55.2 million to NTD61.6 million.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication on and may not necessarily reflect our financial performance in the future. Our future performance will depend on, among other things, our ability to maintain relationship with existing customers, secure new businesses from new customers, maintain our service quality and reputation, control costs, implement our future plan and business strategies, as well as other factors relating to the semiconductor industry, the global economy, and other factors that may be beyond our control. Accordingly, our future financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

In particular, we experienced a decline in profit for the year ended 31 December 2016 compared to the corresponding period in 2015. For the year ended 31 December 2015 and 2016, our revenue amounted to approximately NTD1,025.9 million and NTD1,223.3 million respectively, representing an increase of approximately 19.2%. However, we recorded a profit of approximately NTD61.6 million for

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the year ended 31 December 2015 and a profit of approximately NTD12.1 million for the year ended 31 December 2016. After excluding the listing expenses of our Group, our profit for the year ended 31 December 2016 would have been approximately NTD51.1 million. If we are unable to maintain our profit margin, our future financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

We maintain a certain level of bank borrowings during the Track Record Period and we may continue to have a certain level of bank borrowings after Listing. The cost of borrowings is subject to the fluctuation in interest rate which may affect our business, financial condition, results of operations and prospects

We maintain a certain level of borrowings to finance our operations during the Track Record Period and after Listing, we may continue to have a certain level of borrowings. As at 31 December 2014, 2015 and 2016, our bank borrowings amounted to approximately NTD417.7 million, NTD392.3 million and NTD473.1 million, respectively. Our gearing ratio, as calculated by dividing our interest-bearing liabilities by our total equity, was approximately 188.7%, 155.1% and 190.2%, as at 31 December 2014, 2015 and 2016, respectively.

Our high level of bank borrowings and gearing ratio could materially and adversely affect our liquidity. For example, the high level of bank borrowings and high gearing ratio could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- potentially restrict us from pursuing strategic business opportunities;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

Moreover, we cannot assure you that we will always be able to continue to obtain the required bank financing in the future or that we would be able to arrange for re-financing the bank borrowings when they become due, repay our bank borrowings or raise the necessary funding to finance our business growth and our commitments.

Furthermore, we cannot assure you that we will be able to comply with all the requirements or covenants under our bank borrowings agreements or other material contracts entered into as part of our ordinary course of business or that we will be able to obtain any waiver if we fail to comply with them. If we violate any of the undertakings or covenants, it could result in increase in the interest rates, accelerated repayment of loans and interest, termination or delay in the relevant arrangements or legal proceedings against us. Any of these incidents could have a material and adverse effect on our business, operating results, and financial condition. Furthermore, our liquidity depends on the amount of cash

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generated from our operations and our access to further financial resources, which could also be in turn affected by our future operating performance, prevailing economic conditions, and other factors outside our control.

We may not be able to efficiently manage our inventory and may exposed to risks of obsolete inventory and low subsequent utilisation

As at 31 December 2016, our Group has a significant inventory balance of approximately NTD641.6 million, consisting raw materials of approximately NTD412.1 million, work-in-progress of approximately NTD214.1 million and finished goods of approximately NTD15.5 million. As at 30 April 2017, 65.3% of our raw materials, and all of our work-in-progress and finished goods as of 31 December 2016 had been subsequently used or consumed.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

The delay in settlement of payments by our customers notwithstanding our internal control measures may result in untimely and significant cash flow shortcomings and/or liquidity risks in the future and may adversely impact our cash position and results of operation

Our trade payable turnover days were approximately 83.4, 57.4 and 52.6 days as at 31 December 2014, 2015 and 2016, respectively. In addition, our trade receivable turnover days were approximately 110.9, 76.6 and 56.5 days as at 31 December 2014, 2015 and 2016, respectively, which are higher than the trade payable turnovers days.

During our operation process of providing turnkey solution, we may have to pay in advance certain costs and expenses during the preparation of our turnkey solution prior to receipt of contract sums or only parts of the contract sums from our customers after confirming the purchase orders from our customers, or we may purchase unrefurbished used SME and Parts to maintain our safety stock for our turnkey solution. As our obligation to pay our suppliers for raw materials may not be in the same financial year as we enter into the sales contracts, we may consequently record cash outflows from operating activities in certain periods. Our customers are generally required to pay (i) a first payment of 20% to 50% of the order value either upon signing of the contract or within a specified time period (which is usually within one week from the date of contract); (ii) a product delivery payment of 40% to 60% of the order value upon our customers' initial acceptance of our products after preliminary check of our products and before delivery; and (iii) a product acceptance payment of 10% to 20% of the order value after our receipt of acceptance certificate from our customers. Any delay in receipt of payments from our customers may adversely impact our cash flow position.

Our Group may face liquidity risk. There is no assurance that we will be able to tackle the risks and/or collect all trade receivables. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause allowance for impairment of trade receivables to be made in the future. All of these may result in untimely and significant cash flow shortcomings in the future and adversely affect our cash position and results of operations.

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We recorded net cash outflow from operating activities for the year ended 31 December 2016

We recorded net cash outflow from operating activities of approximately NTD102.4 million for the year ended 31 December 2016. Such significant operating cash outflow during the year ended 31 December 2016 led to the significant decrease in cash and cash equivalents of our Group from approximately NTD162.7 million as at 31 December 2015 to NTD79.1 million as at 31 December 2016. We cannot assure that we will not record negative operating cash flows in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our business may be negatively affected if the demand for 200mm and 300mm SME does not continue to develop in the manner we expected

We focus on providing turnkey solution for used 200mm and 300mm SME. Our business model assumes that demand for the used SME on 200mm and 300mm wafers will continue to grow and manufacturing of such specialty applications on 200mm and 300mm wafers will remain cost-effective. However, as the cost of manufacturing 450mm wafers improves over time, particularly with the decline in depreciation expenses, the cost advantage of manufacturing on 200mm and 300mm wafers may diminish in the near future. Customers may migrate to manufacture 450mm wafers with advanced technologies progress due to the cost benefits.

If the manufacturing of semiconductors for the specialty applications were to migrate significantly to 450mm wafers in the future, the demand for our turnkey solution for used 200mm and 300mm SME would decline and our business, results of operations and cash flow would be adversely affected.

We may not be able to maintain our sales and market share in Taiwan

According to the Frost and Sullivan Report, in 2015, we contributed a revenue of approximately NTD0.88 billion, representing 4.7% of market share in turnkey solution market in Taiwan. Also, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan. The growth of our business and operations depends on our ability to maintain our number of purchase orders, market share and leading position in providing turnkey solution. The performance of our overall business in the PRC and Taiwan is contingent on a variety of competitive, industrial, macroeconomic, governmental and regulatory factors and conditions which are beyond our control.

As such, we cannot assure you that we will be able to maintain our number of purchase orders, sales and market share in Taiwan. Any factor that has a negative impact on our sales and market share in Taiwan could result in a material adverse effect on our business, results of operations and financial condition.

We must keep up with the changing demand and technological changes in the market in order to remain competitive

We devote financial and human resources to the understanding, research and development of new technology regarding new SME generations in order to keep up with our customers' needs and market demands. There is however no assurance that such methods are effective and can fulfill customers'

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satisfaction or that we can keep up with the market understanding of used SME. In the event that we are not able to keep up with the changing demand and technological changes to meet the needs of our customers or that our competitors have developed technology ahead of our Group, our business, financial condition and results of operations may be adversely affected.

Our research and development activities may not result in the successful development of new products

We are committed to various research and development activities for the growth of our business. These activities and efforts include the collaboration with the ITRI in Taiwan to advance our MOCVD techniques used in manufacturing UVC-LED. For details of our research and development, please refer to the section headed “Business — Research and Development” in this prospectus.

There is no assurance that any research and development activities conducted by us will be completed within the anticipated time frame or that the costs of such research and development activities can be fully or partially recovered. We cannot assure you that we can ultimately commercially produce and market new products. Furthermore, if our research and development activities do not result in the successful development of a new product, our reputation, business prospects, financial conditions and results of operations could be materially and adversely affected.

We have limited operating history and if we fail to tackle challenges, our business may be materially and adversely affected

We have limited operating history in our business and the development of our business only began in 2009. Thereafter, we continued our research and development efforts to provide turnkey solution of used SME and Parts and expand our service portfolio to cover different SME specifications.

Given that we only began our business in 2009, we only have a limited operating history upon which an evaluation of our prospects can be based. Such prospects must be assessed in light of the risks, expenses and difficulties normally encountered by any new companies. These risks include the ability of our Group to develop research and development of new technology, our ability to maintain and enlarge our market share and to compete successfully against our main competitors, and our ability to maintain profitability on the basis of our available resources.

There is no assurance that our Group will be successful in tackling the challenges and identifying the risks and uncertainties. If we fail to do so, our business may be materially and adversely affected.

We derive a significant portion of our revenue from sales to our major customers

During the Track Record Period, our sales to our Customer B which is a leading semiconductor manufacturer in the world, represented approximately NTD176.9 million, NTD146.9 million and NTD494.9 million, respectively, accounting for approximately 25.8%, 14.3% and 40.5% of our total revenue, respectively. Our sales to our Customer A, which is a leading semiconductor manufacturer in the world, represented approximately NTD102.7 million, NTD503.2 million and NTD325.6 million, respectively, accounting for approximately 15.0%, 49.0% and 26.6% of our total revenue, respectively.

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We do not enter into any long-term agreements with our Customer B and Customer A with purchase obligations. Purchases by our Customer B and Customer A are typically made on the basis of actual purchase orders received from time to time with no commitment to future orders with us. Our Customer B and Customer A are not obligated to continue placing orders with us at all or at the same level which they historically have done. Consequently, our Customer B and Customer A, could cancel, reduce or defer future orders or cease to place orders at all, at will. If our relationship with our Customer B and Customer A deteriorates or terminate, our business and results of operations would be adversely affected.

If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected

There is no assurance that our operations will generate sufficient cash inflow to finance all our activities and cover our general working capital requirements. In the event that we are unable to generate enough cash from our operations to finance our future development, the performance and prospects of our Group as well as our ability to implement our business plan will be adversely affected. For further details of the indebtedness and liquidity, financial resources and capital structure of our Group, please refer to section headed “Financial Information — Discussion and Analysis of Financial Position and Financial Performance of our Group — Net Current Assets” in this prospectus.

We may face risk regarding to the recoverability of deferred tax assets

As at 31 December 2014, 2015 and 2016, our Group’s deferred tax assets are approximately NTD11.0 million, NTD8.8 million and NTD12.6 million, respectively. While the deferred tax assets may enable our Group to reduce future tax payment, our deferred tax assets may also pose risk to our Group as it recoverability is dependent on the Group’s ability to generate future taxable profit.

We cannot assure you that the deferred tax assets can be recovered. In the case that the value of deferred tax assets has changed, our Group may have to write-down the deferred tax assets, which may significantly affect our expenditure, profit and loss and financial condition in that respective financial year.

We depend heavily on key personnel, and the loss of such key personnel could harm our business

Our future business and results of operations depend on, to a substantial extent, the continuous contributions of our Directors and senior management. In particular, Mr. Yang and Mr. Fan, who are our executive Directors, have led our senior management team in building up our market position in providing turnkey solution of used SME and Parts since the establishment of our Group. The loss of any of their services could have a material adverse effect on our Group. Our Directors and members of our senior management are key to our Group’s success because of their expertise and experience in the SME industry, insights in market development, and their contributions to technology development and expertise in managing the operations of our Group. In addition, the relationship and reputation that our management team has established and maintained with customers of our Group are among the successful factors of our Group.

We expect that our Directors, our senior management team and our technical staff will continue to play an important role in the future growth and success of our business. Our ability to effectively implement our business strategy will depend upon, among other factors, the successful recruitment and

RISK FACTORS

retention of skilled and experienced management and other key personnel. There is no assurance that we will be able to hire or retain such personnel and any failure to do so could adversely affect our business, financial conditions and results of operations.

We are facing associated risks to provide turnkey solution under other brands, which could affect our business and profitability

Although we are able to switch our turnkey solution for used SME under other brands, it takes time for our engineers to familiarise themselves with the specifications of the SME under other brands. Although our Group will hire new engineers who are familiar with the technology of SME under other brands, there is no assurance that we can hire sufficient engineers who are familiar with the technology of the used SME under other brands. If we cannot hire sufficient engineers who are familiar with the technology of the used SME under other brands, our business will be adversely affected.

It also takes time for our Group to establish relationship with suppliers of used SME under other brands. Although our Directors confirmed that the suppliers on our approved list including our major suppliers, Supplier F, Supplier A and Supplier B are all able to provide us with used SME under other brands, if there is a lack of supply of the used SME under other brands from our existing suppliers, it will take time for our Group to develop relationship with new suppliers. There is no assurance that we can source the relevant used SME under other brands. If we cannot source the relevant used SME under other brands, our operation will be adversely affected.

Furthermore, it takes time for our management team to establish our reputation in providing turnkey solution of used SME under other brands and we cannot assure that there would be sufficient demand of turnkey solution of used SME under other brands. Although our Group has reputation in providing turnkey solution of used SME under the Japanese brand, there is no assurance that our customers will place purchase order of turnkey solution of used SME under other brands with us as there are other turnkey solution providers which are accustomed to provide turnkey solution of used SME under other brands. If we cannot receive the relevant purchase orders, our operation and profitability may be adversely affected.

We may not have adequate insurance coverage

Although we have maintained insurance coverage for our operation, including life insurance, medical insurance, health insurance, our insurance coverage may not adequately protect our Group against certain risks. As a result, we may have to pay for any uninsured financial or other losses, damages and liabilities, litigation or business disruption out of our own resources. Besides, the occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be fully covered by our insurance policies. If our business operations were disrupted or interrupted for a substantial period of time, we could incur costs and losses that could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

We are facing competition from other turnkey solution competitors and first-hand SME manufacturers, and this could affect our business and profitability

We face competition from both domestic and international SME turnkey solution providers. Some of our competitors may have certain advantages over us, including greater financial resources, more advanced technologies, greater economies of scale, broader brand name recognition and better relationships in the market. Increasing competition may result in price and gross profit margin reduction, and loss of our market share, any of which could adversely affect our business and profitability. For information about our market share, the competition landscape and our major competitors, please refer to the section headed “Industry Overview — Competitive Landscape of SME Turnkey Solution Market in Taiwan” in this prospectus.

Despite differences in business model, we also face competition with first-hand SME manufacturers in providing SME to our customers. Although first-hand SME are more expensive and therefore we consider it is not directly comparable to our turnkey solution, function-wise first-hand SME are substitutable to our turnkey solutions. First-hand SME manufacturers may offer our customers with more advanced SME and full-scale production line solution which we will not be able to offer the same. Also, first-hand SME manufacturers will not be affected by the risk of shortage of used SME in the market. If our customers shift their purchase focus to first-hand SME manufacturers, our business and profitability will be adversely affected.

Changes in industrial policies by the Taiwan government may adversely affect our business operation

Since the implementation of the economic reforms, the Taiwan policies for the development of semiconductor industry have been favourable to and have encouraged investments. Besides, the Taiwan government has also been encouraging the improvement of the technology in semiconductor industry in Taiwan by introducing relevant encouragement policies. This has led to an increase in the demand for semiconductor products which are the end products of our turnkey solution. As a result, demand for our used SME turnkey solution has also been increasing since our establishment. Should there be any significant change in the development and encouragement policies in Taiwan for the semiconductor industry, our business operations may be adversely affected.

We are exposed to economic, political and regulatory conditions and risks in Taiwan where our assets and operations and principal suppliers and customers are located

Almost all of our revenue during the Track Record Period was derived from our operations in Taiwan and substantially all of our assets are located in Taiwan. We anticipate that Taiwan will remain our primary market in the foreseeable future. Accordingly, our business operations and prospects are subject to a number of risks relating to conducting business in Taiwan and will be affected, to a significant extent, by the economic, political and legal developments in Taiwan. Should there be any adverse change in the GDP and/or consumer spending growth in Taiwan, our results of operations, financial condition and growth prospects may be materially and adversely affected.

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The Taiwan economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, allocation of resources, inflation rate and trade balance position. We cannot predict whether changes in the political, economic and social conditions in Taiwan or changes in the laws, regulations and policies promulgated by the Taiwan government will have any adverse effect on our current or future business and financial conditions and results of operations.

Payment of dividends is subject to restrictions under the Taiwan law

Under Taiwan laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under Taiwan GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been unprofitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Failure to comply with workplace safety regulations in Taiwan leading to penalties or fines may adversely affect our reputation and business operation

Our operations are subject to applicable workplace health and safety, fire safety, fire prevention laws and other regulations. Such laws and regulations are increasingly stringent, we may need to allocate more resources or capital expenditure in order to ensure compliance with the relevant laws and regulations. If we fail to comply with such laws or regulations, we may be required to take corrective action, and/or pay penalties or fines. Any of these factors may have a material adverse effect on our business operations and results.

Risks relating to political issues

As Taiwan and the PRC are the global leading markets for semiconductor manufacturing, a majority of our revenue was derived from Taiwan and the PRC. Hence, our business, operations and financial conditions may be affected by changes in the governmental policies as well as diplomatic and social developments both of Taiwan and the PRC.

Although the cross-strait economic ties and cultural influences continue to strengthen in recent years, Taiwan's unique political status fuel tensions between the island and mainland. Taiwan's internal political movements may also affect Taiwan's cross-strait policies and legislations. Past developments related to the interaction between Taiwan and the PRC have on occasion depressed the transaction activities and business operations of Taiwanese companies and overall economic environment.

In respect of the relationship between Taiwan and the PRC, the current President of Taiwan and the political party which she belongs to, the Democratic Progressive Party, had stressed on the intention to maintain the status quo with the PRC after Taiwan's Presidential Election and the General Election for the Legislative Yuan on 18 January 2016. Immediately after the foregoing elections, Chinese Cabinet's body for handling Taiwan affairs reaffirmed its opposition to Taiwan independence, but it also expressed that it would work to maintain peace and stability between the two sides of the Taiwan Strait. However, we cannot assure that any contentious situations between Taiwan and the PRC will resolve in

RISK FACTORS

maintaining the current status quo or remain peaceful. Relations between Taiwan and the PRC and other factors affecting military, political or economic stability in Taiwan could have a material adverse effect on our business operation.

RISKS RELATING TO THE SHARE OFFER

An active trading market of the Shares may not develop

Prior to the Share Offer, there has been no public market for any of the Shares. Being listed on GEM does not guarantee that an active trading market for the Shares will develop following the Share Offer or that the Shares will always be listed and traded on GEM. Our Group cannot assure that an active trading market will develop or be maintained following completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price.

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile

After Listing, the trading volume and the market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

Shareholders' equity interests may be diluted as a result of additional equity fund-raising

Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares, or future sales or dilution of the shares of the holding company by members of the group of our Controlling Shareholders could result in members of the group of our Controlling Shareholders losing their majority control

The Shares held by our Controlling Shareholders and/or ten of our key staff, who are shareholders of Queenbest, Ever Wealth and Planeta, are subject to lock-up beginning on the date on which trading in the Shares commences on GEM. Please refer to the sections headed "Substantial Shareholders — Undertakings" and "Underwriting — Undertakings — Undertakings under the Public Offer Underwriting Agreement" in this prospectus for further details. Given that these undertakings are given

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to our Company, the Sponsor and the Sole Global Coordinator only and are in addition to the undertakings required to be given by us and our Controlling Shareholders pursuant to Rules 13.16A of the GEM Listing Rules. Such undertakings can be waived as agreed between the Company, the Sponsor and the Sole Global Coordinator without recommendations of the independent committee of the board of Directors comprising independent non-executive Directors and/or the approval of the independent Shareholders. Should the undertakings be waived, there is no assurance that our Controlling Shareholders and our key staff will not dispose of their Shares.

In addition, there is no assurance that our Controlling Shareholders and the aforementioned key staff will not dispose of the Shares held by them following the lock-up period. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholder or the aforementioned key staff, or the availability of Shares for sale by any substantial shareholder of our Company or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholder of our Company or Controlling Shareholder or the aforementioned key staff or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

As at the Latest Practicable Date, Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin (members of the group of our Controlling Shareholders) together held approximately 53.6% and 53.5% in Queenbest and Ever Wealth, respectively, and Queenbest and Ever Wealth hold approximately 37.46% and 8.11% interests, respectively in our Company upon completion of the Share Offer and the Capitalisation Issue (without taking into account the Share to be allotted and issued upon exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme). Should there be any future sales of shares held by any of Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin in Queenbest and/or Ever Wealth, or there be any events leading to a dilution in shareholdings in Queenbest and/or Ever Wealth, Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin together will not hold more than 50% interests in Queenbest and/or Ever Wealth and in such case, they will lose majority control of our Company.

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests

Our Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the combined statement of comprehensive income of our Group over the vesting periods of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.

The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders

Our Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholdings in our Company. The interests of our Controlling Shareholders may not always coincide with the interests of other Shareholders. If the interests of any of

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our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Statistics and industry information may come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the SME industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the Sponsor, the Sole Global Coordinator, the Underwriters nor any of the parties involved in the Share Offer has independently verified, or made any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V, the Laws of Hong Kong), the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and (c) all opinion expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Share Offer. This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sponsor and managed by the Sole Global Coordinator and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Offer Shares will be required to confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Underwriters, any of their respective directors or employees or any other persons involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM.

No part of the share capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any public offering of the Offer Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public.

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All the Shares will be registered on the register of members of our Company in Hong Kong. Our Company’s principal register of members will be maintained by Conyers Trust Company (Cayman) Limited, our Company’s principal share registrar in the Cayman Islands. Our register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Dealings in the Shares registered on our Company’s register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date HKSCC chooses.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on Friday, 14 July 2017 under the GEM stock code 8257. Shares will be traded in board lot of 10,000 Shares each and are freely transferable.

Our Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translation of New Taiwan dollars into Hong Kong dollars have been made at the rate of NTD4.00 to HK\$1.00. No representation is made that the NTD amounts could have been, or could be, converted into Hong Kong dollars of such rates or any other rate.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality/Region</u>
<i>Executive Directors</i>		
Yang Ming-Hsiang (楊名翔) (Chairman)	8F., No. 55 Wenxing Road Zhubei City Hsinchu County 302 Taiwan	Taiwan
Fan Chiang-Shen (范強生) (also known as Johnson Fan)	6F., No. 173, Wenxing Road Zhubei City Hsinchu County 302 Taiwan	Taiwan
Wei Hung-Li (魏弘麗)	10F-1, No. 216, Sec. 2 Liuja 5th Road Zhubei City Hsinchu County 302 Taiwan	Taiwan
<i>Independent non-executive Directors</i>		
Kam Leung Ming (甘亮明)	Flat 7C, 5/F Main Pole House O'Brien Road Wanchai Hong Kong	Chinese
Cheng Chun Shing (鄭鎮昇)	Flat F, 66/F, Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese
Ho Pak Chuen Brian (何百全)	Flat D, 47/F, Block 1 Robinson Place 70 Robinson Road Central Mid-level Hong Kong	Australian

Further information about our Directors and other senior management members are set out in the section headed "Directors and Senior Management" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Sole Global Coordinator

Ample Orient Capital Limited
Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities) regulated activities as defined under the SFO)

**Joint Bookrunners and Joint Lead
Managers and Public Offer Underwriters**

Ample Orient Capital Limited
Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities) regulated activities as defined under the SFO)

ChaoShang Securities Limited
Room 4001-02, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities as defined under the SFO)

Co-manager and Public Offer Underwriter

China-Hong Kong Link Securities Company Limited
19/F, 80 Gloucester Road
Wan Chai
Hong Kong

(A licensed corporation carrying on Type 1 (dealing in securities) regulated activities as defined under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

as to Hong Kong law

Watson Farley & Williams

Units 1703–07, One Pacific Place
88 Queensway
Hong Kong

as to Taiwan law

Lee and Li, Attorneys-at-Law

5F, Science Park Life Hub
1 Industry E. 2nd Rd.
Hsinchu Science Park
Hsinchu
Taiwan

as to the PRC law

L&L-Leaven, Attorneys-at-Law

Room 1801–1815
No. 2008, Huqingping Road
Qingpu Shanghai, 201702
China

as to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sponsor and the Underwriters as to Hong Kong law

Addleshaw Goddard (Hong Kong) LLP

802–804 Champion Tower
3 Garden Road
Central
Hong Kong

Joint auditors and Reporting accountants

Elite Partners CPA Limited

10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

Moore Stephens CPA Limited

801–806 Silvercord, Tower 1, 30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Tax adviser	RSM Tax Advisory (Hong Kong) Limited 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong
Property valuer	DTZ Cushman & Wakefield Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong
Industry consultant	Frost & Sullivan Limited 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office in Taiwan	No. 80, Baotai 3rd Road, Zhubei City Hsinchu County 30244 Taiwan
Principal place of business in Hong Kong	Rooms 2105-06, 21/F Office Tower Langham Place 8 Argyle Street Mongkok, Kowloon Hong Kong
Authorised representatives	Yang Ming-Hsiang (楊名翔) 8F., No. 55 Wenxing Road Zhubei City Hsinchu County 302 Taiwan Wei Hung-Li (魏弘麗) 10F-1, No. 216, Sec. 2 Liuja 5th Road Zhubei City Hsinchu County 302 Taiwan
Company secretary	Man Yun Wah (文潤華), <i>HKICS</i> Rooms 2105-06, 21/F Office Tower Langham Place 8 Argyle Street Mongkok, Kowloon Hong Kong
Compliance officer	Wei Hung-Li (魏弘麗)
Audit Committee	Cheng Chun Shing (鄭鎮昇) (<i>Chairman</i>) Kam Leung Ming (甘亮明) Ho Pak Chuen Brian (何百全)

CORPORATE INFORMATION

Remuneration Committee	Kam Leung Ming (甘亮明) (<i>Chairman</i>) Cheng Chun Shing (鄭鎮昇) Ho Pak Chuen Brian (何百全) Yang Ming-Hsiang (楊名翔) Wei Hung-Li (魏弘麗)
Nomination Committee	Yang Ming-Hsiang (楊名翔) (<i>Chairman</i>) Cheng Chun Shing (鄭鎮昇) Kam Leung Ming (甘亮明) Ho Pak Chuen Brian (何百全) Wei Hung-Li (魏弘麗)
Risk Management Committee	Yang Ming-Hsiang (楊名翔) (<i>Chairman</i>) Fan Chiang-Shen (范強生) Wei Hung-Li (魏弘麗)
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 Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	First Commercial Bank Tung-Men Branch No. 216, Tung Men Street North District Hsinchu City 300 Taiwan First Commercial Bank Hong Kong Branch Room 1101, 11/F Hutchison House 10 Harcourt Road Central Hong Kong Chang Hwa Commercial Bank Zhubei Branch 26-3, Taiyuan Street Zhubei City Hsinchu City Taiwan

CORPORATE INFORMATION

Compliance adviser

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Website of our Company

www.genestech.com
*(information contained in this website does not form part
of this prospectus)*

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost and Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their affiliates or advisers, nor any other party involved in the Share Offer and no representation is given as to its accuracy. Our Directors believe after taking reasonable care, that there have been no material adverse changes in the market information since the date of issue of the Industry Report which maybe qualify, contradict or have an impact on the information in this section.

RESEARCH CONDUCTED BY FROST AND SULLIVAN

We commissioned Frost and Sullivan, an independent market research consulting firm, to conduct an analysis on the SME solution market in Taiwan and to report on the industry, development trends and competitive landscape of the market. A total fee of HK\$500,000 was paid to Frost and Sullivan for the preparation of the market research report, and the Sponsor consider that such fee reflects market rates.

The information and statistics on the SME solution market in Taiwan contained in this section are extracted from the Industry Report. The Industry Report derived its data from interviews with industry experts and competitors, official statistical sources, and market indicators for modeling.

Frost and Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost and Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost and Sullivan has been covering the Chinese market since the 1990s. Frost and Sullivan has four offices in the PRC and direct access to the knowledgeable experts and market participants in the SME solution market and its industry consultants, who have more than three years of experience on average.

All statistics are based on information available as at the date of the Industry Report. The study covered the historical years of 2010 to 2014, took 2015 as the base year and 2016–2020 as the forecast period. However, since the study was conducted in 2016, some of the 2016 figures were not available from public statistical sources at the time of the study. Under such circumstances, Frost and Sullivan would use the latest information available (e.g. 2015) or make projections based on historical trends.

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RELIABILITY OF INFORMATION AND FUTURE FORECAST IN THE FROST AND SULLIVAN REPORT

We are of the view that sources of information used in this section, which are extracted from the Frost and Sullivan Report, are reliable and not misleading as Frost and Sullivan is an independent reputable professional research agency with extensive experience in their profession.

We believe that the sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

Some of the analytical conclusions extracted from the Frost and Sullivan Report cover future forecasts. Frost and Sullivan developed estimates and forecasts on the following assumptions: (i) the global economy is assumed to maintain a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or the wide outbreak of diseases to affect the demand and supply of SME solution in Taiwan during the forecast period. The research results may be affected by the accuracy of these assumptions.

The following definitions were used throughout the Frost and Sullivan Report:

- (i) *Semiconductor Manufacturing Equipment (SME)* refers to the facility and devices for the manufacture of semiconductors, LED and flat panel displays as well as other related micro and nano technologies. There are tens of thousands of SME used during manufacturing procedure such as clean track, diffusion furnace and plasma etcher, which are one of the most frequently used SME.
- (ii) *Turnkey Solution Business* includes the sale of used SME to customers after refurbishment, modification, installation and customization of SME according to customer specifications and requirements.

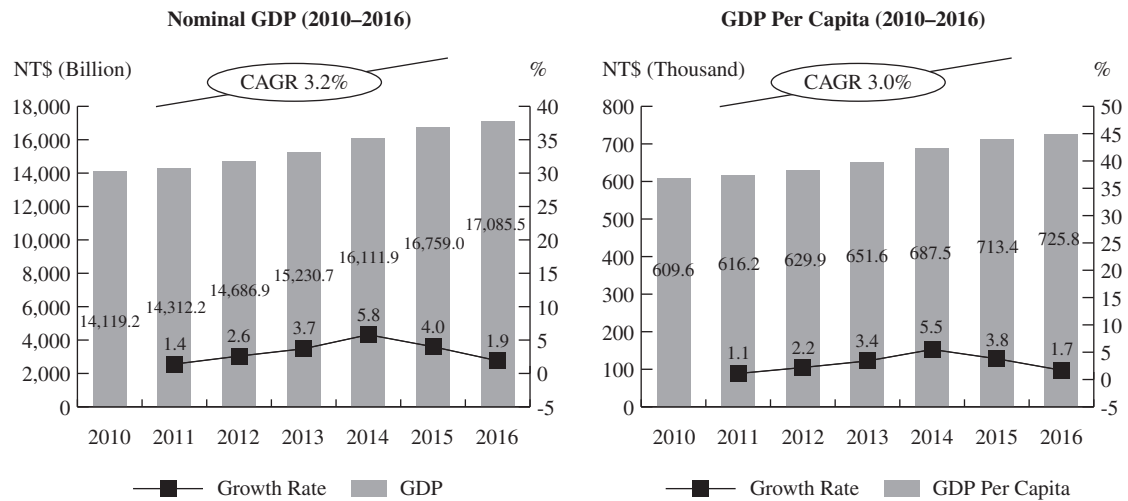
Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Frost and Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF TAIWAN MACRO-ECONOMY

(a) Nominal GDP and GDP Per Capita

The period of 2010–2016 saw a steady growth in nominal GDP. Since 2010, Taiwan has experienced a steady growth in its economy. Nominal GDP increased from NT\$14,119.2 billion in 2010 to NT\$17,085.5 billion in 2016, growing at a CAGR of 3.2%. Due to stable population growth in Taiwan, GDP per capita also increased steadily from NT\$609.6 thousand to NT\$725.8 thousand at a CAGR of 3.0% between 2010 and 2016.

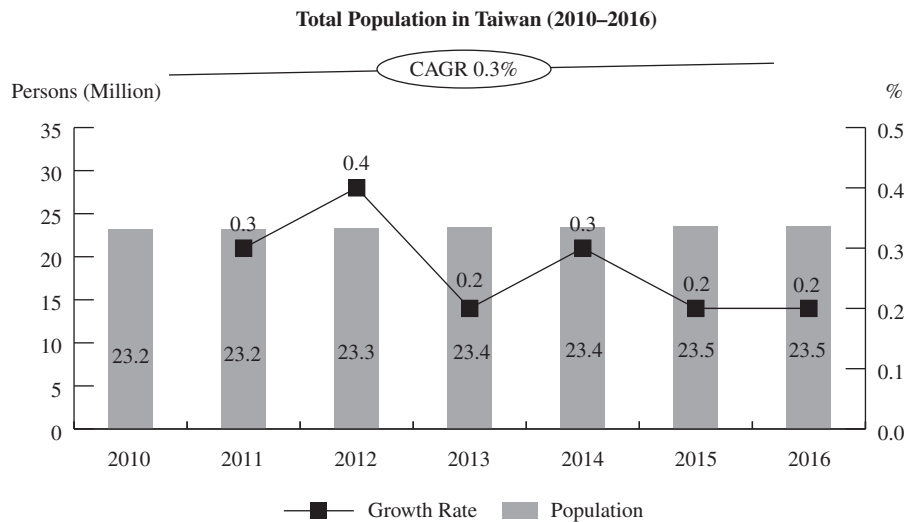
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Source: IMF, Frost and Sullivan

(b) Total Population in Taiwan

The growth of Taiwan population has remained stable for the past five years. During the period of 2010–2016, Taiwan population was growing steadily at a CAGR of 0.3% from 23.2 million in 2010 to 23.5 million in 2016. The insignificant increase in the population has contributed to the rising GDP per capita earned by Taiwanese citizens.



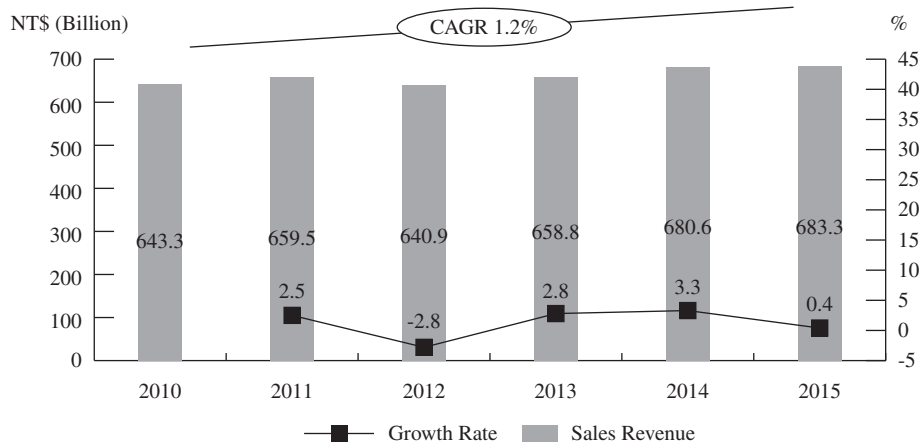
Source: IMF, Frost and Sullivan

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(c) Sales Revenue of Professional, Scientific and Technical Services Industry

During 2010–2015, sales revenue of professional, scientific and technical services industry in Taiwan was growing at a CAGR of 1.2% from NT\$643.3 billion in 2010 to NT\$683.3 billion in 2015. Owing to the increasing GDP per capita in Taiwan, the Taiwanese have enjoyed higher purchasing power in general. As a result, the sales revenue increase in the technical services industry reflects a rise in the demand for digital and electronic consumer goods, which stimulates SME manufacturing that require maintenance and modification services.

Sales Revenue of Professional, Scientific and Technical Services Industry (2010–2015)



Source: Statistics Yearbook of Taiwan 2015, Frost and Sullivan

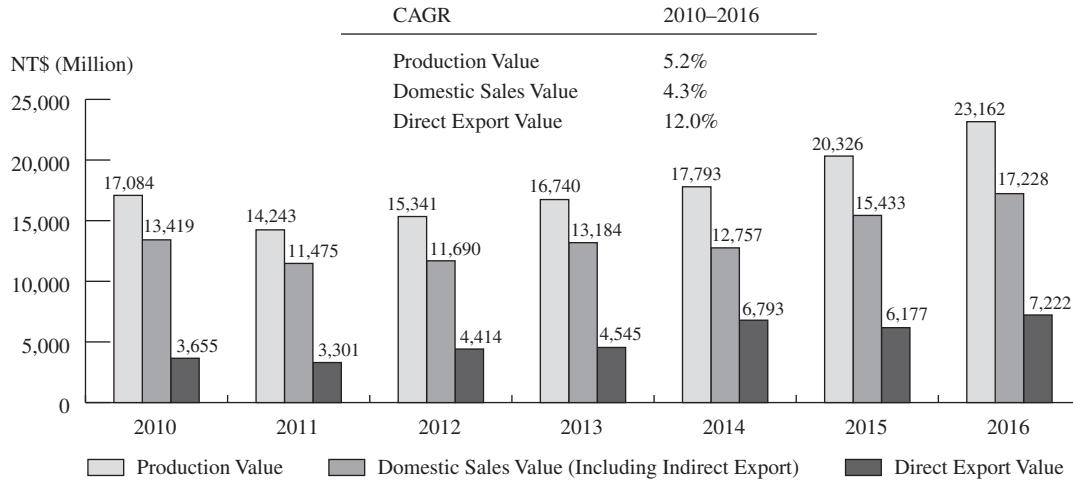
Note: 2015 as the year latest data recorded

(d) Production, Sales and Export Value of SME

Followed by a drop in 2011, production, sales and export value of SME have recorded a growth afterwards. Due to the Japan Earthquake and Tsunami in 2011, the demand for SME had been affected, leading to reduced production, sales and export value of SME in the same year. With the rising demand for electronic devices and higher need for semiconductor production capacity, the production, sales and export value of SME had been growing from 2011 to 2016.

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Production, Sales and Export Value of SME (2010–2016)



Source: Department of Statistics, Ministry of Economic Affairs, Taiwan, Frost and Sullivan

OVERVIEW OF GLOBAL SME MARKET

According to the SEMI 2015 report on the global SME market, the global SME market is highly concentrated with 89% of global demand of SME generated from Taiwan, South Korea, Japan, the US and the PRC in 2015. As the demand for SME is derived from the growing demand for semiconductor, therefore it is anticipated that growth of demand for SME will be the fastest in the PRC, North America, Europe and Rest of World (RoW) whilst Taiwan, Japan and Korea will experience stable growth in 2016.

(a) Taiwan

Taiwan is the world's largest market for SME and valued at US\$9.64 billion in 2015, representing a quarter of the total worldwide market. Taiwanese semiconductor manufacturers such as Taiwan Semiconductor Manufacturing Company Limited and United Microelectronics Corporation, who are both global leaders in semiconductor manufacturing, occupied a total global market share of over 50% and constantly need to purchase SME. Meanwhile, there are also a number of small semiconductor manufacturers in Taiwan who demand SME. As the semiconductor industry is the major component of Taiwan's vital electronics sector, representing about 40% of exports, the Taiwanese government has made laws to protect the local semiconductor industry and encourage local production, such as the ban on the PRC's investment in the IC design of semiconductor, to prevent valuable assets being drained away.

(b) South Korea

Due to continued semiconductor manufacturing plant construction and SME upgrading, Korean demand for SME has grown rapidly. However, there are no major Korean SME producers, thus they need to rely on SME imports from the US, hence becoming the world's second largest market, representing about 20% (US\$7.47 billion) of the global sales of SME in 2015.

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(c) Japan

Japan ranks third in the global SME market in 2015. Total spending on SME totalled US\$5.49 billion, representing 15% of the world's market for SME. Recently, the production of semiconductors grew 8.7% from 2013 to 2014, possibly implying a recovery in the industry which may stimulate future SME sales.

(d) North America

In spite of being the largest supplier for both semiconductor and SME to the global market, North America fell to the fourth place at US\$5.12 billion, representing 14% of the worldwide SME market, surpassed by expanding markets in Taiwan, South Korea, Japan but followed by the PRC. It is forecast that America's future spending on SME will increase due to the expected acceleration in SME spending by global semiconductor manufacturers such as Intel.

(e) The PRC

The PRC ranks fifth in worldwide SME market. The domestic market is relatively small. Total global sales of SME to the PRC reached US\$4.9 billion in 2015 (about 13% of the world market). Driven by the huge demand for semiconductor in electronics manufacturing industry and the Chinese government's future development focus on semiconductor manufacturing, the PRC's demand for SME is expected to grow the fastest in the world in the coming years.

ANALYSIS OF TRADING OF USED SME WITH TURNKEY SOLUTION MARKET IN TAIWAN

(a) Industry Development

As Taiwan had a relatively late start in its SME market compared to other bigger markets such as the US and Japan, the market still lacks sufficient resources and mature manufacturing technologies. Recently, in spite of the global economic recession, Taiwan semiconductor manufacturing market has yet shown stable growth year-on-year. Despite the technological advancement resulting in bigger wafers and smaller transistors, 200mm and 300mm wafers are still today's mainstream products that are widely used. The manufacture of both smaller and bigger wafers has driven and will continue to drive the semiconductor and hence SME industry. The following table shows the transition and application of different wafer sizes:

Transition and Application of Different Wafer Sizes

Period	1975~	1980~	1991~	2001~	2020~
Wafer Size	100mm	150mm	200mm	300mm	450mm
Application	Consumer electronics, industrial uses, automotive pressure sensors	Consumer electronics, industrial uses, automotive pressure sensors	Automotive, industrial and medical industries, wireless and motion-tracking technologies in consumer electronics e.g. Smart phones, tablets, wearable devices	Smart phones, tablets	Under development

Source: Frost and Sullivan

(b) Growing Market Opportunity for 200mm and 300mm Foundries

The demand and supply trends of 200mm wafers

Currently, the demand for 200mm wafers is driven by different semiconductor markets such as MCUs, MEMS sensors, image sensors, LED lighting, automotive and smart phones. Since 2002, the manufacturers had gradually downsized the production of 200mm SME and shifted more production capacities to 300mm SME because of the rising standards for the hi-tech gadgets with the intention to advance the existing technology. Along with the gradually decreasing supply of 200mm SME, with not less than an annual decline rate of approximately 15% to 25% in average by major SME manufacturers since 2002, the total number of 200mm wafer manufacturers recorded the highest count of over 200 in 2006. After peaking in 2006, with the over-optimistic expectation on the growth in demand for 300mm and 450mm, the total number of 200mm wafer manufacturers had been declining for several years, 33 of which had closed while another 15 of which was converted to the production of 300mm wafer. However, the mismatch of the market expectation on bigger wafers size and the unexpectedly slow development pace and uncommon availability of 300mm and 450mm wafers resulted in the re-allocation of resources to the production of 200mm wafers afterwards.

Some of the major SME manufacturers, including TEL, Applied Materials, Lam Research, ASML and KLA-Tencor, had previously downsized the production of 200mm SME from 2002 onwards and largely shifted its resources towards manufacturing and developing 300mm SME and bigger wafers size in view of the growing demand for 300mm wafer and the technological advancement, resulting in an overall drop in supply of 200mm SME. In addition, while most of the 200mm wafer manufacturing plants are running at nearly full capacity or full capacity, the closure of some smaller 200mm wafer manufacturers in recent years before 2010 has further reduced the overall supply of 200mm wafer capacity.

However, the Internet of Things (IoT) wave appears to breathing new life into 200mm wafer manufacturers as there is an unexpected faster growing demand for 200mm SME in response to the tremendous growth in wearable technology after 2014, such growth was mainly attributed to cost-related advantages of 200mm wafers, including lower fixed costs, lower costs associated with photo masks and design services as well as lower production volume requirements to be cost effective. Using 200mm wafers also allows manufacturers to be able to meet high voltage design requirements, achieve uniform thermal exposure and reduce material costs with fewer processing layers. Before the advent of the IoT movement began, data in 2012 suggested a decline in number of 200mm wafer manufacturers. According to Frost and Sullivan, it is expected that the global total number of 200mm wafer manufacturers will return to or exceed the level in 2006 by 2019. As a result, a significant shortage (an excess demand) is found between the overall supply and demand and an overall growth in prices of both new and used 200mm SME in recent years.

The demand and supply trends of 300mm wafers

Although the production cost of 300mm wafer is generally higher than that of 200mm, the application of which offers a lot of performance advantages, which is the main reason why it is growing rapidly in the recent years. As that production of 300mm wafers is expected to become more cost-effective over time, there will be an increase in applications of 300mm wafers in the near future. The main emphasis of 300mm technologies is on microprocessors, modems,

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application processors for smartphones and tablets as 300mm wafers offer lower energy consumption and higher processing speed. It is also expected that a faster growth in demand for 300mm wafer in the following years driven by the growth in the market of high technology consumer electronics, such as tablets, smartphones and wearables. However, in view of different functionalities and technological requirements of different products, 300mm wafer are not considered as a practical substitute for 200mm wafers.

The expected growth in 200mm and 300mm SME supply

In view of the aforementioned unexpected faster growing demand of 200mm SME in recent years in response to the tremendous growth in wearable technology, these major manufacturers including TEL, Applied Materials, Lam Research, ASML and KLA-Tencor, have recently allocated more resources towards/re-entered the manufacturing of 200mm SME. According to SEMI, the aggregated installed capacities (in million wafers per month) of 200mm SME in the market is expected to increase for approximately 8.0% from 2015 to 2019 and that the global total number of wafer manufacturers for 200mm wafer production is expected to increase for approximately 5.6% from 2016 to 2019. On the other hand, 300mm wafer manufacturers is also expected to grow for approximately 27.3% from 2016 to 2019. According to Frost and Sullivan, it is expected that the demand for 200mm and 300mm wafers will remain strong in the next 10 years and there will be an increasing trend of SME supply of which in response to such growth in demand.

According to Frost and Sullivan, having said that the demand for both 200mm and 300mm wafers are growing simultaneously, it is unlikely that 450mm wafers will replace 200mm and 300mm wafers in the near future as there are currently many limitations and entry barriers on the production of 450mm. Firstly, the R&D and equipment costs are huge. It could cost up to tens of billions USD to develop a bigger wafer size, which might probably be affordable by the largest global foundries only, such as Intel, Samsung, Toshiba and TSMC. The second reason is that the production scale required might be about a double of that of 200mm and 300mm wafers and such large production capacity needs to be supported by IC products. Therefore, only the largest foundries could afford to bear such risks. Last but not least, Taiwanese SME manufacturers have been investing heavily into 200mm and 300mm SME and this takes tens of years to reap from their past heavy investment. They believe that 200mm and 300mm wafer will have great potentials, thus rather than developing newer and bigger wafer size, they have decided to pour heavy investment into optimising the current 200mm and 300mm technologies. According to Frost and Sullivan, it is expected that the development process of 450mm wafers would take years from conception to mass production and it is strongly believed that 200mm and 300mm wafers will dominate the market for the next 10 years or so.

The following are the major events in relation to the supply of 200mm SME:

2002 Some of the major SME manufacturers, including TEL, Applied Materials, Lam Research, ASML and KLA-Tencor downsized the production of 200mm SME. There is a gradually decrease in supply of 200mm SME by major SME manufacturers with not less than an annual decline rate of approximately 15% to 25% in average since then.

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2006	The total number of 200mm wafer manufacturers recorded the highest count of over 200. Since then, the total number of 200mm wafer manufacturers has been declining for several years and 33 of which had closed while other 15 of which was converted to the production of 300mm wafer.
2014	IoT and the boost of wearable devices and mobile triggered the growth in demand of 200mm SME. A significant shortage (an excess demand) is found between the overall supply and demand and an overall growth in prices of both new and used 200mm SME is recorded.
2014 onwards	Some of the major SME manufacturers, including TEL, Applied Materials, Lam Research, ASML and KLA-Tencor, have recently allocated more resources towards/re-entered the manufacturing of 200mm SME. The aggregated installed capacities (in million wafers per month) of 200mm SME in the market is expected to increase for approximately 8.0% from 2015 to 2019 and that the global total number of wafer manufacturers for 200mm wafer production is expected to increase for approximately 5.6% from 2016 to 2019.
2019 (Forecast)	The total number of 200mm wafer manufacturers is expected to return or exceed the level in 2006.

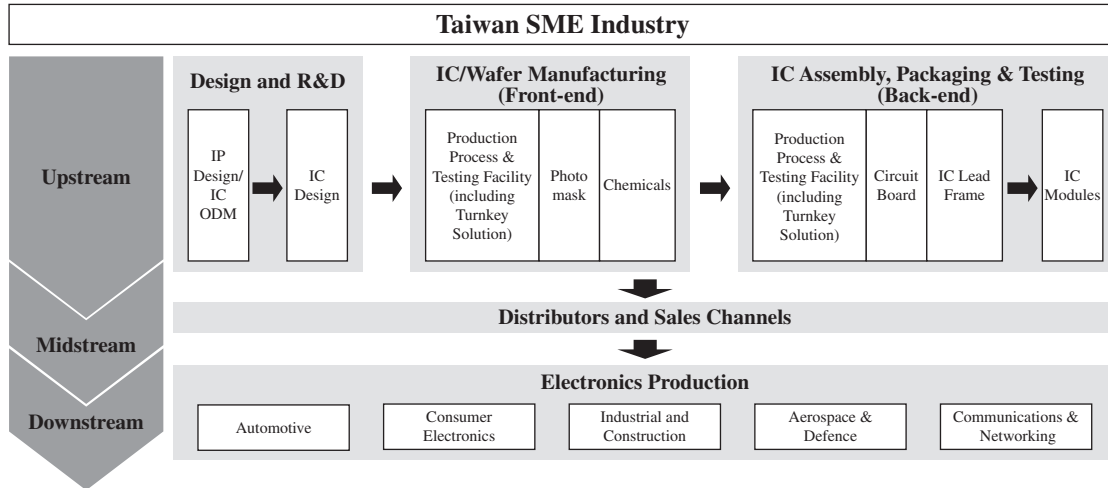
To summarize, 200mm and 300mm wafers are still considered as mainstream wafers commonly used in the market due to the fact that (i) bigger wafers are still under development, (ii) high cost for purchasing new models of semiconductor device for bigger wafers and (iii) not every semiconductor device is required to run with the latest IC model. Hence, majority of turnkey solution providers in Taiwan are mainly focusing on providing turnkey solution of 200mm and 300mm SME.

(c) Value Chain Analysis

The semiconductor industry as a whole consists of a wide range of sub-segments from upstream industries such as IC design and manufacturing, midstream distributors to downstream industries like electronics production which require the use of semiconductors. The upstream can be divided into front-end, IC manufacturing, and back-end industries, packaging and testing. SME manufacturers provide SME to IC/Wafer manufacturers who then supply IC for the production of all sorts of semiconductor products such as consumer electronics. When semiconductor manufacturers need to increase their production capacity or upgrade their SME, this is where turnkey solution business comes in. Turnkey solution providers can obtain used SME in three ways: (1) directly from their SME manufacturers (2) disposal of SME from other players in the market that closed down (3) distributors. Users of turnkey solution, typically wafer manufacturers, can also become SME suppliers to turnkey solution providers, as replaced part can be resold or reused. Turnkey solution providers play an important role in recycling

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and rejuvenating SME and help wafer manufacturers to achieve cost reduction and efficiency as well as increasing their production capacity.

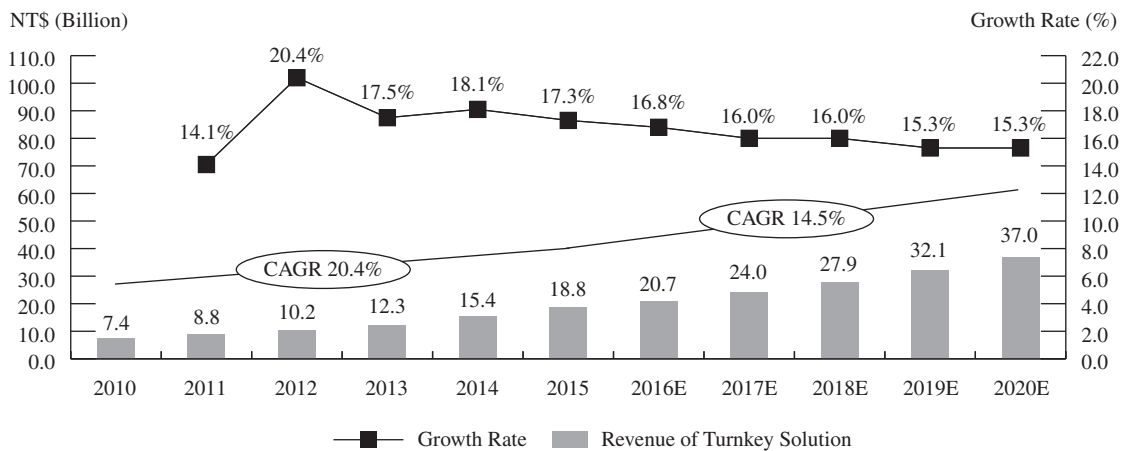


Source: Frost and Sullivan

(d) Market Size of the SME Turnkey Solution Market in Taiwan

The market size of turnkey solution business for SME was on a rising trend in 2010 to 2015 and will continue to expand during the forecast period. As driven by the strong demand for electronic devices (e.g. smartphone, laptop and tablet), customization of existing SME through turnkey solution and the growing supply of used SME, the market size of turnkey solution for SME had grown from NTD7.4 billion in 2010 to NTD18.8 billion in 2015, representing a CAGR of 20.4%. The higher requirement for semiconductor production and time constraints at customers' ends are key drivers of the market, and it is expected that the market will maintain the growing trend at a CAGR of 14.5% during the forecast period, reaching NTD37.0 billion by 2020.

Market Size of Turnkey Solution for SME by Revenue, Taiwan (2010–2020E)



Source: Frost and Sullivan

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(e) Cost Structure Analysis

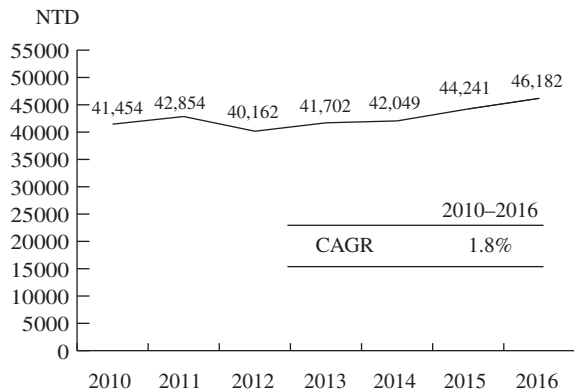
Labour Cost

As driven by inflation and demand for talents in the industry, the average monthly salary of workers in repair and installation of industrial machinery in Taiwan grew from NTD41,454 in 2010 to NTD46,182 in 2016, representing a CAGR of 1.8%.

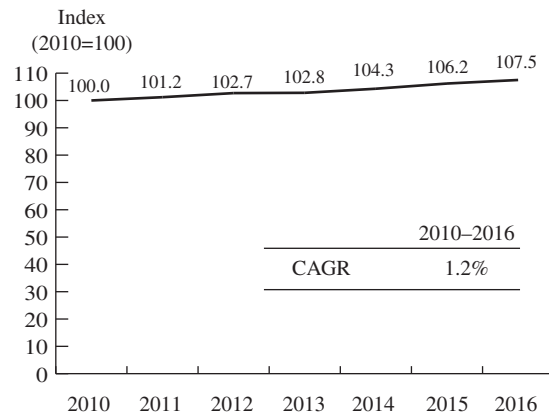
Raw Material Cost

On the other hand, due to the limited supply of used SME together with strong demand for these SME, the price index of used SME had recorded a growth from 100 in 2010 to 107.5 in 2016, representing a CAGR of 1.2%.

Average Monthly Salary of Workers in the Industry of Repair & Installation of Industrial Machinery, Taiwan (2010–2016)



Price Index of Used SME, Taiwan (2010–2016)



Source: Directorate-General of Budget, Accounting and Statistics, Frost and Sullivan

(f) Heavy Reliance on Major Customers

Heavy reliance on major customers is regarded as the common market practice within the turnkey solution industry in Taiwan. This is primarily due to the fact that the global foundry market is highly concentrated, with top five players occupying over 70% of market share in the global foundry market, in which Taiwanese foundries such as TSMC and UMC occupied over 50% of market share. As a result, these leading wafer manufacturers, who need to increase their production capacity by refurbishing and upgrading existing production facility, are usually the users of turnkey solution service. Therefore, turnkey solution providers are likely to serve several regular customers, which contributing to the heavy reliance on major customers.

(g) Heavy Reliance on Major Suppliers

To provide turnkey solution, turnkey solution market participants usually source used 200mm and 300mm SME and Parts from multiple sources including SME manufacturers, wafer manufacturers, traders and even other turnkey solution provider. Due to limited number of used SME and Parts available in market and thus high demand for specific SME model for 200mm and 300mm wafers

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processing, market participants are usually in competition for raw material supply in order to offer specific models of customized used SME to their customers in a timely manner. Depends on the operational and sourcing scale, some used SME providers are capable in obtaining a wide range of used SME and Parts, including those specific brands and models of SME. Hence, the availability of used SME is considered as a key reason for such reliance within the industry. Those turnkey solution providers with good relationship with other parties, especially suppliers of used SME and Parts, are more advantageous in maintaining the channels of raw material supply and therefore sustain their turnkey solution businesses by offering a wide range of SME to customers.

COMPETITIVE LANDSCAPE OF SME TURNKEY SOLUTION MARKET IN TAIWAN

(a) Market Concentration of the Global SME Market

The SME provider market is highly concentrated with top 5 players accounting for 64.0% of total global market share in terms of revenue in 2015. In Taiwan, turnkey solution providers usually specialize in certain brand of SME and thus require specific knowledge on SME to acquire the business, although OEMs are also providing turnkey solutions. The overall market of turnkey solution providers are fragmented with many private companies involved in the turnkey business for different brands of SME. For example, in 2015, our Group contributed a revenue of approximately NTD0.88 billion, representing 4.7% of market share in turnkey solution market in Taiwan.

Top Five Players of the Global SME Market, Based on Revenue (2015)

Rank	Name of SME Provider	Headquarter	Revenue from Sales of SME (USD billion)	Market Share in Worldwide Market
1	Applied Materials	USA	6.8	19.2%
2	Lam Research	USA	5.1	14.5%
3	ASML	The Netherlands	4.6	13.0%
4	Tokyo Electron (TEL)	Japan	4.1	11.7%
5	KLA-Tencor	USA	2.0	5.6%
Top 5 Subtotal			22.6	64.0%

Source: Frost and Sullivan

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(b) Market Supply and Demand Situation of the Used SME and Parts

In general, the overall SME market can be categorized into new and used SME and their demand and supply are highly associated with several factors such as cost, set up time, availability etc.

Majority of the new SME are provided by SME manufacturers directly or via distributors or traders. The demand for new SME is likely to be driven by the foundries which require additional SME to expand their production capacity. However, due to high cost and time needed to set up new SME, some traders or even SME manufacturers and foundries have been involved in trading used and refurbished SME in the market.

Like new SME, refurbished SME is capable of supporting the production of more advanced models of wearable devices. Purchasing refurbished SME from a turnkey solution provider allows numerous benefits to the wafer manufacturers. This is because turnkey solution providers use factory-certified parts as they have access to actual OEM parts. They replace, repair and test systems and parts according to OEM standards, and offer the latest safety and productivity upgrades. Moreover, they provide on-site assistance with installation and process start-up as well as ongoing maintenance. Most importantly, refurbished SME are much cheaper than new SME while offering the best value solution. The 200mm and 300mm wafers produced by the new and refurbished SME are substantially the same. Used SME has several advantages over new SME to many foundries, including cost effectiveness as many foundries, especially those focusing on 200mm wafer manufacturing, prefer refurbished or used SME for production. Meanwhile, with the aid of turnkey solution, used SME become optimized for manufacturing, which is a time saving option to many foundries. As a result, used SME are in high demand while supply is limited, especially for specific models and types of SME.

In Taiwan, the used SME and Parts market consists of a variety of market participants. SME manufacturers, turnkey solution providers, foundries and traders are recognised as key market players and they can serve as both purchaser and supplier of these SME. Among them, turnkey solution providers and traders are in most significant demand for used SME while trader is the main supplier of used SME and parts in the market.

The market share by revenue of the top 5 SME providers in the global market is 64.0% and is considered as concentrated, leading to similar landscape in both new and used SME market. Generally, turnkey solution providers would source and focus on only several brands of used SME and provide related turnkey solution, which is mainly attributable to availability of certain brands of used SME, specific technical know-how of an individual SME brand, relationship with suppliers and customers etc. However, to turnkey solution providers, there are a variety of sources of used SME including SME manufacturers, foundries, traders, distributors and even other turnkey solution providers, which provides easier access to them.

SME brands, including the top five players of the global SME market, are considered non-substitutable. The production of IC is highly complicated and sophisticated which requires high level of standardisation and strict quality control. For ICs to be manufactured at a functional standard, stable SME (this would mean the same brand and model of the SME), production materials, special gas, chemicals, favourable environment are necessary and vital. Therefore, making alterations to any of the above production conditions is considered highly costly and risky to wafer manufacturers and foundries as it requires tens of thousands of tests and trials as well as customer approval prior to the proposed

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change. Unless the wafer manufacturers and foundries are incapable of procuring the same brand and model of the SME in the market, it is very unlikely that it will consider switching to other brands of SME, for now and the foreseeable future.

Therefore, given the multiple sources of used SME, the turnkey solution market is fragmented and featured by different private companies focusing on specific brand and models of SME. For example, our Group has its target business of offering turnkey solution for used SME under the Japanese brand and sourced the used SME from traders. It was estimated that the aggregate market share of top 5 turnkey solution providers in Taiwan is approximately 25% in 2015, which is derived from aggregate revenue based on estimation. As a result, our Group, which contributed a market share of 4.7% in the same year, is considered as one of the leading turnkey solution providers based on the strength of focusing on sourcing used SME under the Japanese brand and the fragmented landscape of turnkey solution market.

Due to limited number of specific models of used SME and Parts available in market, it is not uncommon for turnkey service providers that they would try to extend their business coverage, such as engaging in used SME and Parts trading business (eg. specific models of used SME and Parts) from sources once receive request from customers, to maximize profit margins as well as increasing market presence in such a niche market. Hence, in this case, acquisition cost (50% or lower of the original price of a brand new SME) will likely be incurred on the turnkey service providers who purchase such SME and Parts. In addition, such market participants engaged in trading business for used SME and Parts usually have inventory on their products. As a result, the cost for sales such as inventory management and acquisition of used SME and Parts are generally considered as part of operating expense to maintain the normal business operation.

(c) Market Drivers

Strong Chinese Demand for Semiconductor Products

With the fast growing purchasing power of the Chinese, the demand for consumer electronics, such as smartphones, and automobile has boomed in spite of the global economic stagnation. In order to increase their production capacity to meet this growing demand, wafer manufacturers in the world, especially the Chinese wafer manufacturers, are seeking for turnkey solution providers to help them with SME upgrade and refurbishment. Hence, the growth in demand for semiconductor products has become the main driver for the Taiwan SME industry, being one of the leading SME providers.

Competitive Rivalry Driving Continued Breakthroughs

The semiconductor industry is marked by intense rivalries between individual companies. There is always pressure imposed on IC manufacturers to come up with something better, faster and cheaper to meet the fast evolving market. That pressure extends throughout the whole value chain including IC makers, manufacturers, design labs and distributors to bring IC from R&D into high-tech equipment. The result is an industry that continually produces cutting-edge technology while riding volatile business conditions. This drives the semiconductor manufacturing industry in which wafer manufacturers seek for ways to enlarge their production capacity within shorter lead time. Therefore, used SME with turnkey solution has become their top-priority choice for that, which drives the turnkey solution market.

(d) Market Entry Barriers

High and Specific Technical Requirement and Capability

Turnkey solution business require professionals and technicians with extensive knowledge of SME production and refurbishment. For certain brands of SME, they are often provided by specific groups of service providers and new entrants may not have such knowledge. As a result, high technical knowledge and capability to provide comprehensive turnkey solutions for different SME becomes a large entry barrier to the new player.

Good Business Relationship between Existing Players and Key Customers

The turnkey solution market in Taiwan is characterised by a pool of turnkey solution providers serving different customers including major leading semiconductor manufacturers. Sustainable business relationship has been well established between existing users of the turnkey solutions and business providers who offer customised solutions with proven track record as a qualified solution provider, which is seen as a big challenge to new market entrants.

(e) Market Opportunities

Potential Applications of Semiconductors

Semiconductors are used in a wide variety of fields from consumer electronics to industrial manufacturing equipment. In the near future, its application is expected to expand into different consumer segments. The wearable devices such as smartwatches and fitness trackers market, which are manufactured on 200mm and 300mm wafers, has seen tremendous growth recently, especially in the consumer health wearable devices. It is seen as a market with most growth potential, with an estimated CAGR of 27.8% between 2015–2020.

Internet of Things

Internet of Things (IoT) is a concept that everything gets connected within a giant network between people and things to collect and exchange data with the use of electronics, software and sensors. In the following ten years, semiconductor plays an important role in realising internet of things along with the “perfect storm” created by high smartphone penetration and falling technology cost.

(f) Threats

High Dependence on the Demand for Semiconductors

The industries of SME manufacturing and SME services are highly reliant on the demand for semiconductor products which is affected by the global economy. The current economic stagnation has affected not only the growth of the Taiwanese semiconductor industry, but also its SME manufacturing industry in which wafer manufacturers need to adjust their production capacity to meet the level of demand for semiconductors. As this industry is cyclical in which it periodically

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experiences increased demand and production capacity constraints, if there is a sustained upturn in the semiconductor market, there could be a resulting increase in the demand for SME manufacturing, which could cause the increase in the cost of production.

Over-Reliance on Foreign Imports for Raw Materials

The US produced the first IC in the late 1950s solving the fundamental problems that hindered the production of IC. It was only until 1977 when Taiwan began to run their first production plant station. Therefore, up to today, front-end technologies and part of the core raw materials, such as Tungsten, Molybdenum, Tantalum, Graphite and Boron Nitride, are still mostly controlled by foreign suppliers. If the supply of raw materials is out of control, this would bring price instability to the Taiwan semiconductor industry, which negatively impacting the SME manufacturing industry. Furthermore, as turnkey solution industry is highly dependent on SME manufacturing, any fluctuations in the SME suppliers would likely to cause unfavourable changes in demand for the business.

(g) Trends

More Frequent Adjustment and Refurbishment of SME

To cope with the tighter production requirement and schedule from customers, semiconductor manufacturers are expected to carry out a more frequent refurbishment and modifications on current SME. Technical advancement in various industries have driven up the need for changing specifications and requirement of SME, such as advanced driver-assistance systems (ADAS) in automobile industry which requires the aid of semiconductor for image recognition processor, navigation systems. On the other hand, some end users of SME engaged in industrial production would request optimisation of SME to ensure smooth manufacturing under tight schedule. As a result, turnkey solutions with SME customization and refurbishment would be more widely used among semiconductor manufacturers.

Strong growth for semiconductor in the segment of consumer goods

IC has a wide range of application in various types of consumer electronic devices such as laptop, mobile phone, tablet, wearable devices and home appliance. Ownership and penetration rate of these electronic devices are associated with the demand of IC and thus semiconductor. Approximately, the percentage of adults in United States owning smartphone had increased from 35% in 2011 to 70% in 2015, while the percentage owning tablet had increased from 3% in 2010 to 45% in 2015. The emergence of latest wearable devices and trending sports camera are also driving up the usage and demand of IC in recent years. Hence, there is a likelihood that the worldwide semiconductor manufacturers, especially in the PRC and Taiwan, may need to refurbish, modify and upgrade their SME in order to cope with different requirement and specifications of IC applicable for the aforementioned electronic devices, leading to potential growth of turnkey solution business for SME from Taiwan providers.

COMPETITIVE LANDSCAPE OF SME TURNKEY SOLUTION MARKET IN THE PRC

(a) Overview

The PRC turnkey solution market of used SME and Parts is fragmented with various turnkey solution providers from foreign countries such as Taiwan, Japan and the US as well as a small number of local players. Despite that the PRC has substantial demand for the production of semiconductor, approximately 80% of the country's semiconductor products including SME are imported from foreign countries, due to lower prices of the imports. This is due to the exemption of import tariffs and VAT for IC manufacturers on purchasing production equipment including SME from outside the country, which is a policy put through by the central government to help develop the local semiconductor industry.

(b) Market Drivers

In recent years, Chinese consumers are growing in their purchasing power. Despite the economic slowdown, sales of innovative smart devices such as smartphones, tablets and activity wearables have experienced fast growth in the PRC. As all these products are manufactured with semiconductors that are made on SME, the boom in consumer electronics has been a huge driver to the local SME market and it also speeded up semiconductor production. This has led to foundries increasing their production capacity by upgrading and modifying their SME in order to cater the increasing demand for semiconductors, which has created a huge potential for turnkey solution providers to tap into the market.

(c) Market Opportunities

Due to increasing economic, technological development and urbanization, it is expected that the PRC will undergo a rapid transformation with extensive use of digital devices and systems. Specifically, the PRC government has issued plans to promote the development of "Smart City" in the country, which included the Guiding Advice on Promoting the Healthy Development of Smart Cities (關於促進智慧城市健康發展的指導意見) in 2014. The development of "Smart City" promotes the application of digital technology, information and communication technology in various areas, such as governance, environment and production, which serves as a good opportunity for semiconductor and related turnkey solution for the used SME and Parts market. Meanwhile, with the increasing number of foreign production facilities setting up in the PRC due to the Chinese tax exemption policy on imports, this would encourage technological exchange between foreign and local SME foundries, which helps enhance the quality of SME products and services in the country.

(d) Threats

The Chinese policy of tax exemption on imports is seen as a major threat to the local turnkey solution market. Under the "Amendments to the Tariff Schedule of the People's Republic of China to the World Trade Organization" (《中華人民共和國加入世界貿易組織關稅減讓表修正案》), which came into force on 3 September 2016 by the National People's Congress, the country will gradually eliminate the import tariff for a series of information and communication products including SME in the coming years. As a result, this would further reduce foreign SME manufacturers' cost of setting up production facilities in China, which in turn would weaken local SME and raw materials manufacturers' price competitiveness as well as turnkey solution providers sourcing local SME for their services.

(e) Market Entry Barriers

Entry barriers to the turnkey solution market in the PRC includes (i) technical knowledge towards renowned SME brands; (ii) capital requirement for setting up production facilities, hiring professionals and workers and (iii) high costs in selling SME and production materials to local IC manufacturers in the PRC — as the “Amendments to the Tariff Schedule of the People’s Republic of China to the World Trade Organization” does not apply to local SME manufacturers, thus they will have to pay VAT of 17% when selling to local IC manufacturers, increasing their cost and lowering their price competitiveness as compared to foreign SME companies. Therefore, the favorable treatment granted to foreign SME enterprises under such policy greatly discourages local trading of SME and parts while further worsening the problem of heavy reliance on SME imports from outside the country. In addition, the PRC market has an established trading network between turnkey solution providers, customers and suppliers for used SME and Parts, which serves as one of the key entry barriers for new market participants.

LAWS AND REGULATIONS IN TAIWAN

1. Dividend and bonus distributions

According to the Taiwan Company Act, unless otherwise provided in the Articles of Incorporation, dividend and bonus are distributed to the extent that such proportion of shares hold by each Shareholders. When distributing surplus after payment of all taxation, a company shall contribute ten percent of the surplus to the statutory surplus reserve. No further contribution to statutory surplus reserve is required when the statutory surplus reserve reaches total capital. Save for the abovementioned statutory surplus reserve, a company may set aside another sum as a special surplus reserve under the Articles of Incorporation or by resolution of the Shareholders. A company shall not pay dividends or bonuses unless its losses shall have been covered and a statutory surplus reserve shall have been set aside in accordance with the provisions of the Company Act. A company shall not pay dividends or bonuses as soon as no surplus is recorded. Any person in charge of a company, who distributes dividends or bonuses in violation of the provision, shall be subject to a fixed-term imprisonment of not more than one year, detention or a fine of not more than NTD60,000.

According to the relevant provisions of the Taiwan Income Tax Act, a company shall withhold 20 percent of net dividends allocated to a foreign shareholder (or an applicable lower tax rate provided by a tax treaty applicable to the company) for income tax since dividends are Taiwan source income. Any earnings that are not distributed in a given year shall be subject to a business income tax of 10 percent of the unappropriated earnings, and the amount of tax imposed will be deducted from the retained earnings allocated subsequently. In respect of dividends allocated to a foreign shareholder, the amount equal to half of the foregoing 10 percent imposed tax may be deducted from the withholding income tax levied on such dividends.

The current regulations of Taiwan do not impose any foreign exchange control on the remittance of earnings to offshore parent (please refer to the explanation stated in item 8 below for relevant provisions of foreign exchange control of Taiwan).

2. Occupational Safety and Health and Labor Matters

(1) Occupational Safety and Health

Pursuant to the relevant provisions of Taiwan Occupational Safety and Health Act, a company shall provide physical examinations to newly-recruited staff and health checks to existing staff, formulate a occupational safety and health management plan, establish safety and health organizations and personnel to implement safety and health management and self-inspections, formulate safety and health work rules, and provide safety and health education and training to employees. A company that violates the above matters, if notification has been given to make improvements within a limited time period but has failed to do so, may be subject to a fine of no less than NT\$30,000 but no more than NT\$150,000.

(2) Labor Matters

(i) Work Rules

Pursuant to the relevant provisions of Taiwan Labor Standards Act, a company hiring thirty workers or more shall set up work rules, and shall publicly display the said rules after they have been submitted to the competent authorities for approval and record. A company that violates the provisions shall be subject to a fine of no less than NTD20,000 but no more than NTD300,000.

(ii) Labor-Management Conference

Pursuant to the relevant provisions of Taiwan Labor Standards Act, a company shall hold labor-management conferences. A labor-management conference shall be composed of an equivalent number of representatives from both labor and management, ranging from two to fifteen representatives from each party. Representatives of both parties shall not be less than five persons if the number of employees of a company is 100 or more. After the election and designation of labor-management meeting representatives are completed, the company shall send the name list of representatives and alternate representatives for the labor side to the local competent authority for reference within 15 days; the same procedure shall apply when replacement, by-election, re-designation, or reduction of the number of representatives occurs. Pursuant to Taiwan Labor Standards Act, no punishment provision is applied to company that has not held any labor-management conference. However, in the event that a company implement any affairs (such as extending working hours and female employees working at night time), which shall only be implemented subject to resolution on the labor-management conference in accordance with the Labor Standards Act, without holding any labor-management conference, the company shall be subject to a fine of not less than NTD200,000 but not more than NTD300,000 (as the case may be) depending on relevant punishment provisions.

(iii) Employees Welfare Fund

Pursuant to the relevant provisions of Taiwan Employees Welfare Fund Act, a company hiring fifty or more employees shall appropriate Employees Welfare Fund according to the following requirements and establish Employees Welfare Committee to provide custody for the welfare fund: (1) appropriating 1 to 5 percent of the total amount of capital at the time of its establishment ; (2) appropriating 0.05 to 0.15 percent of total monthly revenue of business; (3) deducting 0.5 percent from the monthly wage and allowances of each employee, and; (4) appropriating 20 to 40 percent of proceeds from selling of scraps. The competent authority shall order those, who have violated the above requirements for not appropriating or appropriating insufficient funds for employee welfare, to appropriate the funds and also impose an administrative fine of no more than NTD3,000 on the person in charge.

(iv) Gender Equality in Employment

Pursuant to the relevant provisions of the Act of Gender Equality in Employment of Taiwan, for a company hiring thirty employees or more, measures for preventing, correcting sexual harassment, related complaint procedures and disciplinary measures shall be

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established. All these measures mentioned above shall be openly displayed in the workplace. A company that violates the above requirements shall be subject to a fine of no less than NTD100,000 but no more than NTD500,000.

3. Environmental Protection

(1) Air Pollution Control Act

Pursuant to Taiwan Air Pollution Control Act, the central competent authority may collect air pollution control fees from stationary and mobile pollution sources that emit air pollutants. Stationary pollution sources that emit air pollutants shall comply with emissions standards.

(2) Water Pollution Control Act

Pursuant to Taiwan Water Pollution Control Act, enterprise sewage systems or sewage treatment facilities of buildings, which discharge waste or sewage water to the surface water bodies, shall comply with the standards of the released water. The competent authority shall collect the water pollution control fee from the enterprise sewage systems and households, which discharge waste or sewage water to the surface water bodies, according to the quality and quantity of its emissions.

(3) Waste Disposal Act

Pursuant to the Taiwan Waste Disposal Act, the disposal of industrial waste, with the exception of that subject to reuse methods, shall be performed in accordance with the following methods: (1) self-clearance and disposal; (2) joint clearance and disposal; (3) commissioned clearance and disposal; (4) other methods that receive central competent authority permission.

(4) Toxic Chemical Substances Control Act

Pursuant to Taiwan Toxic Chemical Substances Control Act, the term “toxic chemical substances” refers to those chemical substances that are intentionally produced by human activity or unintentionally derived from production processes and that have been officially announced by the competent authority as having toxicity. In the event of unauthorized handling of toxic chemical substances without obtaining a permit or registration, or failure to perform handling of toxic chemical substances in accordance with permitted items or listed registration items, fines and/or imprisonment shall be imposed respectively for human death, serious injuries, or hazards to human and diseases caused by aforementioned conducts.

4. Intellectual Property

(1) Patent Act

Pursuant to the relevant provisions of Taiwan Patent Act, patent is classified into invention patent; utility model patent; and design patent. Subject to provisions of the Patent Act otherwise prescribed or the covenants otherwise set forth in an agreement, the term “the owner of the right to apply for a patent” shall mean an inventor, a utility model creator, a designer, or the assignee or successor thereof. Where an invention, a utility model or a design is made by an employee in the

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course of performing his/her duties, the right to apply for a patent and the patent right thereof shall be vested in his/her employer and the employer shall pay the employee reasonable remuneration. An invention, a utility model or a design made by an employee in the course of performing his/her duties shall mean the invention, utility model, or design completed by an employee in the course of performing his/her duties during the period of employment. Where a fund provider appoints another party to conduct research and development, the ownership of the right to apply for a patent and the patent right in connection with the outcome of such research and development shall be vested in the party as mutually agreed upon in an agreement between both parties, or such rights shall be vested in the inventor, utility model creator or designer in the absence of such agreement. However, the fund provider shall be entitled to exploit such invention, utility model or design. Where the ownership of the right to apply for a patent and the patent right are vested in the employer or the fund provider, the inventor, utility model creator or designer concerned shall be entitled to a right to have his/her name shown as such.

The term of an invention patent shall expire after a period of twenty (20) years from the filing date of the application. The term of a utility model patent shall expire after a period of ten (10) years starting from the filing date. The term of a design patent shall expire after a period of twelve (12) years from the filing date of the application. A derivative design patent shall expire simultaneously with the original design patent.

(2) *Trademark Act*

Pursuant to the relevant provisions of Taiwan Trademark Act, the proprietor of a registered trademark shall have the exclusive right of the trademark for a period of ten years from the date of publication for registration. The period of the trademark right may be renewed, and the duration of each renewal period shall be ten years.

(3) *Trade Secret Act*

Pursuant to the relevant provisions of Taiwan Trade Secret Act, the term “trade secret” shall mean any method, technique, process, formula, program, design, or other information that may be used in the course of production, sales, or operations, and also meet the following requirements: (1) it is not known to persons generally involved in the information of this type; (2) it has economic value, actual or potential, due to its secretive nature; and (3) its owner has taken reasonable measures to maintain its secrecy.

If a trade secret is the result of research or development by an employee during the performance of employment, the trade secret shall belong to the employer unless otherwise provided for in a contract, and in which case the contract shall prevail. If a trade secret is the result of research or development by an employee other than during the performance of employment, the trade secret shall belong to the employee. However, if the trade secret is the result of utilizing the employer’s resources or experience, the employer may make use of such a trade secret in the employer’s business after paying a reasonable compensation to the employee. Where one provides funding and contracts another to conduct research or development that resulted in a trade secret, the ownership of the trade secret shall be determined by the terms of the contract. If the ownership is not specified in the contract, the trade secret shall belong to the contracted party; however, the contracting party shall be entitled to make use of such trade secret within the contracting party’s business.

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Any person committing an act falling under any of the following circumstances for the purpose of an illicit gain for himself/herself or for a third person, or inflicting a loss on the holder of a trade secret shall be sentenced to a maximum of five years imprisonment or detention, in addition thereto, a fine of no less than NTD1,000,000 and not more than NTD10,000,000 may be imposed: (1) acquiring a trade secret by an act of theft, embezzlement, fraud, threat, unauthorized reproduction, or other wrongful means, or using or disclosing a trade secret so acquired; (2) committing an unauthorized reproduction, usage, or disclosure of a trade secret known or possessed; (3) failing to delete or destroy a possessed trade secret as the trade secret holder orders, or disguising it; (4) any person knowingly acquires, uses or discloses a trade secret known or possessed by others is under circumstances prescribed in the preceding 3 subparagraphs. In case a fine is to be imposed, if the gain obtained by the offender exceeds the maximum fine, such fine may be increased within the extent of 3 times of the gain.

5. Compensation to Employees and Directors

Pursuant to the relevant provisions of Taiwan Company Act, a fixed amount or ratio of profit of the current year distributable as employees' compensation shall be definitely specified in the Articles of Incorporation. There is no such requirement under the law for directors' compensation. Nonetheless, the company may also provide for directors' compensation in its articles of incorporation. However, before distributing the compensation to the employees and directors, the company's accumulated losses shall have been covered. The so-called "profit" shall mean profit before tax net of the interest prior to the distribution of employees' compensation.

6. Labor Insurance, National Health Insurance and Labor Pension

(1) Labor Insurance

Pursuant to the relevant provisions of Taiwan Labor Insurance Act, an employer shall enrol its employees for labor insurance, the insurance premium of labor insurance is calculated using the employee's monthly insured salary and insurance premium rate. An employer failing to do this shall be imposed a fine four times the total of premiums payable by the employer for the period from the date of employment to the date of the actual enrolment or the date of termination of employment. The loss thus incurred against the employees shall be compensated by the employers in accordance with the payment standard defined in the Labor Insurance Act. In the event that an employer under-declares or over-declares insured salaries of its employees, a fine four times the total of premiums under-declared or over-declared from the onset of the violation shall be imposed, and the employer shall pay back the amount of benefits thus over-claimed. The employer shall also compensate the employees for any loss thus incurred.

(2) National Health Insurance for Employees

Pursuant to the relevant provisions of Taiwan National Health Insurance Act, an employer shall enrol its employees for national health insurance and deduct premium on a monthly basis. If an employer fails to enroll national health insurance for its employees, it shall be punished with an amount equivalent to two to four times of the payable premiums in addition to the unpaid premium. In the event that the insured payroll-related amount declared by the insured are less than the regulated insured payroll-related amount, a fine in the amount of two to four times of the payment of different premium shall be imposed in addition to the payment of premium differential.

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(3) *Labor Pension*

Pursuant to the relevant provisions of Labor Pension Act, employers shall on a monthly basis contribute labor pension of not less than 6% of its employees' monthly wage to individual accounts of labor pension at the Bureau of Labor Insurance for its employees. An employer fails to file the application for contribution or file the application for termination of contribution, if notification has been given to make improvements within a limited time period but has failed to do so, shall be fined no less than NTD20,000 but not exceeding NTD100,000.

7. Taxation

Pursuant to the relevant provisions of Taiwan Income Tax, the business income tax rate applicable to Genes Tech is 17%. Pursuant to Taiwan Income Basic Tax Act, the amount of income tax payable by our company shall be its payable income tax multiplied by applicable tax rate or income basic tax (whichever is larger). The income basic tax rate of a profit-seeking enterprise is 12%, our Company shall include income net of various tax deductions or investment tax credits when calculating income basic tax, in addition to specified allowable deductions or tax benefits based on exempted income basic tax.

Pursuant to the relevant provisions of Taiwan Value-added and Non-value-added Business Tax Act, Genes Tech shall be subject to business tax of 5% for the sales of goods or services and imported goods in Taiwan.

8. Foreign Exchange

Currently Taiwan regulates only those foreign exchange transactions that involve the conversion of the New Taiwan Dollar into foreign currencies. Pursuant to the relevant provisions of Taiwan Foreign Exchange Control Act, foreign exchange transactions of a value of NTD500,000 or more shall be declared to the Central Bank of Taiwan by the banking enterprise; foreign exchange transactions of a value below NTD500,000 does not need to be declared. For a single remittance by a company or business entity of an amount over US\$1 million, or a single remittance by an association or individual of an amount over US\$500,000, relevant testimonials shall be submitted and such remittance shall be subject to the approval of the Central Bank of Taiwan. For remittance made by a company or a business entity whose annual accumulated settlement amount of foreign exchange purchased or sold has exceeded US\$50 million, or remittance made by an association or an individual whose annual accumulated settlement amount of foreign exchange purchased or sold has exceeded US\$5 million, relevant testimonials shall be submitted and such remittances shall be subject to the approval of the Central Bank of Taiwan.

9. Overseas Listing

To the extent of Genes Tech's registered businesses, the relevant legal requirements of Taiwan does not provide that the issue of shares in Hong Kong and the listing on the GEM shall be subject to the approval or inspection of the government authorities in Taiwan.

10. Investment in Mainland China

Investments made by any Taiwanese individual or entity (“Taiwanese Investor”) in Mainland China are regulated by the Regulations Governing Permission of Making Investment or Engaging in Technical Cooperation Activities in the Mainland Area (“Permission Regulations”) and the Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area (“Guidelines”).

(1) Investment and Technical Cooperation Activities in China

Pursuant to the Permission Regulations, investments made by the Taiwanese Investor in China include establishing a new entity in China, making investments to increase the capital into a Chinese entity, acquiring equities in Chinese entities, and establishing or expanding a branch or businesses in China. Pursuant to the Guidelines, if the aggregate amount of the investment in China made by a Taiwanese Investor does not exceed US\$1 million, filing with the MOEAIC within 6 months after the investment shall suffice. If such amount exceeds US\$1 million, prior approval of the MOEAIC is required.

Further, pursuant to relevant provisions under the Guidelines, unless it is certified as the “Business Operation Headquarters” by the Industrial Development Bureau, the Ministry of Economic Affairs, a Taiwanese company is not allowed to invest more than 60% of its net assets or consolidated net assets, whichever is higher, in China.

Also, pursuant to the Permission Regulations, Taiwanese Investors intend to engage in technical cooperation in China by providing know-how, patent rights, exclusive trademark rights or copyrights in China shall obtain prior approval from MOEAIC.

If the Taiwanese Investor fails to obtain applicable approvals from the MOEAIC in respect of its investment or technical cooperation activities in China, fines or imprisonment may be imposed pursuant to the Act Governing Relations between the People of the Taiwan Area and the Mainland Area.

Given that the Company has neither made investment nor engaged in technical cooperation activities in China, our Taiwan Legal Advisers advised that the Company is thus not subject to the Permission Regulations and therefore does not require permission from MOEAIC.

(2) Business Activities in Mainland China

The Company’s business activities in China are in the nature of international trade. Trades between Taiwan and China are regulated by the Regulations Governing Permission of Trade between Taiwan Area and Mainland Area (“Trade Regulations”). For exporting goods from Taiwan to China, according to the Trade Regulations, all export documents shall bear the word “Chinese Mainland” in the column of destination. If the exporter fails to comply with the foregoing provision, the competent authority may order that the exporter suspend export and/or import of goods for a period ranging from two months to one year, or annual its exporter and importer registration.

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LAWS AND REGULATIONS IN THE PRC

Regulations on our Taiwanese personnel who are assigned to work in the PRC and provide services to clients in the PRC

Our employees assigned to work in the PRC are Taiwanese. According to the provisions of Article 3 and Article 4 of the Provisions on the Administration of the Employment of Taiwan, Hong Kong and Macau Residents in the Mainland implemented by the PRC government on 1 October 2005, a person, who has established employment relationship with an employer established overseas, or in Taiwan, Hong Kong or Macau and has been assigned by such employer to work in an employer in the PRC accumulatively for more than three months within one year (from January 1 to December 31 of the Gregorian calendar year), shall be subject to the employment permit system. In case an employer in the PRC accepts the assigned persons from Taiwan, Hong Kong or Macau, it shall apply for Employment Permits for such assigned persons, and proceed with the archival filings for its acceptance of such assigned persons. Hence, the clients in the PRC who accepted the Taiwanese personnel assigned by us shall comply with the aforesaid provisions, and we are not legally required to process the application of employment permits for those personnel.

Pursuant to the provisions of Article 4 of the PRC Social Insurance Law became effective on 1 July 2011, the employers and individuals within the territory of the PRC shall pay their social insurance premiums in accordance with the PRC laws. We do not need to purchase commercial insurance or social insurance for our personnel assigned to work in the PRC as we are not an employer established in the PRC, but we purchase “安達產物保險商務旅行團體傷害保險” for those personnel as employees’ benefits.

Regulations on environmental protection in relation to our sales of SME and provision of services to clients in the PRC

When we sell our SME to our clients in the PRC and provide services thereof, we are subject to all relevant environmental protection laws and regulations promulgated by the central and local governments of the PRC, which mainly include the Law of the PRC on Energy Conservation and the Disposal of Solid Wastes under the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes, etc..

Pursuant to the provisions of Article 16 and Article 17 of the Law of the PRC on Energy Conservation promulgated on 1 November 1997 and amended on 28 October 2007 and 2 July 2016, the PRC adopts a system of eliminating energy-consuming products, equipment and production processes which are outmoded or excessively consumptive of energy, and prohibits to produce, import or sell energy-consuming products or equipment that have been publicly ordered to eliminate or fail to reach the standards for the mandatory energy efficiency. The SME that we sell to our clients in the PRC does not fall into any classification of the aforesaid energy-consuming equipment that have been publicly ordered to eliminate or fail to reach the standards for the mandatory energy efficiency, and is not subject to any import ban from the PRC.

Pursuant to the provisions of Article 18 of the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes promulgated on 30 October 1995 and amended on 24 April 2015, an enterprise, that produces, sells or imports products or packing materials listed in the catalogues of compulsory recycling as required by law, shall recycle the products and packing materials in

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compliance with the relevant stipulations of the PRC. According to the purchase orders entered into between us and our clients in the PRC, our SME and packing materials are imported by the PRC clients, therefore, whether or not the recycling of relevant equipment or packing materials is required shall be determined by the PRC clients pursuant to the PRC laws, and we are not required to recycle and dispose the equipment or packing materials.

Regulations on government approvals in relation to our sales of SME and provision of services to clients in the PRC

Pursuant to the provisions of Article 2 and Article 3 of the Measures for the Administration of the Registration of Foreign Enterprises Engaged in Production and Business Activities within the PRC promulgated by the PRC government on 15 August 1992 and amended on 29 April 2016, in compliance with the stipulations of relevant PRC laws and regulations, and subject to the approvals of the State Council of the PRC and the competent authorities authorized by the State Council (the “Approval Authority”), an enterprise established outside the PRC and engaging in production and business activities within the territory of the PRC shall apply to the administration for industry and commerce at the provincial level (the “Registration Authority”) for registration. Upon approvals for registration of the Registration Authority and collection of business license, such enterprise may commence production and business activities. Without the approvals of the Approval Authority and the approvals for registration of the Registration Authority, any enterprise established outside the PRC shall not engage in production or business activities within the territory of the PRC. Pursuant to the stipulations of the current existing PRC laws and regulations, enterprises established outside the PRC and engaged in the following production and business activities shall seek registration: (1) exploration and development of petroleum and other land and marine mineral resources; (2) project contracting for construction and decoration work for buildings, civil engineering work, the installation of wiring, pipelines or equipment, or other similar projects; (3) contracting for or accepting commissions for the operation and management of foreign-funded enterprises; (4) the establishment of foreign bank branches in the PRC; and (5) other production and business activities permitted by the State. Our sales of SME to clients in the PRC and assignment of Taiwanese personnel to the PRC to provide services incurred thereof to the PRC clients are based on the purchase orders signed between us and the PRC clients and belongs to international trading activities, which do not fall into the classification of production and business activities that are subject to registration as required by the Measures for the Administration of the Registration of Foreign Enterprises Engaged in Production and Operation Activities within the PRC. As a result, we do not apply for registration in the PRC.

Pursuant to the provisions of Article 13 and Article 14 of the Administration Regulations on the Registration of Resident Representative Offices of Foreign Enterprises promulgated by the PRC government on 19 November 2010 and amended on 18 July 2013, resident representative offices of enterprises established outside the PRC shall not engage in any profit-making activities. Enterprises established outside the PRC and engaged in the following activities in the PRC shall establish resident representative offices in the PRC: (1) market investigation, display, publicity activities in connection with the products or services of the enterprises established outside the PRC; and (2) liaison activities in connection with product sales, service provision, domestic procurement and domestic investment of the enterprises established outside the PRC. Our sales of SME to clients in the PRC and assignment of Taiwanese personnel to the PRC to provide services incurred thereof to the PRC clients are based on the

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purchase orders signed between us and the PRC clients and belong to international trading activities, which do not meet the aforementioned stipulations. As a result, we do not apply for the establishment of a resident representative office in the PRC.

HISTORY, REORGANISATION AND GROUP STRUCTURE

BUSINESS HISTORY

Our Group's history can be traced back to 2009 when Mr. Yang, Mr. Fan and Mr. Lin together with other shareholders co-founded Genes Tech for the provision of turnkey solution in Taiwan. Prior to setting up our Group, Mr. Yang, Mr. Fan, Ms. Wei and Mr. Lin had been working in the same company ("Company U") which engaged in the provision of turnkey solution involving the used SME under the same Japanese brand used by our Group, during which they accumulated relevant experience in the semiconductor industry and developed their network with various suppliers of used SME and Parts in Taiwan. Ms. Wei left Company U in 2006, and Mr. Yang, Mr. Fan and Mr. Lin left Company U in 2009 which was subsequently dissolved. Identifying the business potential and market demand of turnkey solution provider, leveraging on the network with the leading semiconductor manufacturers, and together with other colleagues of Company U, Mr. Yang, Mr. Fan and Mr. Lin co-established Genes Tech in 2009. Ms. Wei joined our Group as our chief financial officer in 2011.

Since our Group's inception, our management team strived to provide quality services in the semiconductor industry using our expertise in the field to capture the changing trend of the industry with our intuition, knowledge and experience. Our used SME including furnace, clean track and others covering some semiconductor manufacturing process which would enable us to serve and retain our customers which are mainly semiconductor manufacturers. Our Group obtained ISO certification for our operation in 2012. In 2015, we further obtained the Best Strategic Partner award from our customer. Through our continuous efforts, our Directors consider that our Group has successfully established a good reputation within the industry with our major customers, some of which are listed companies and leading semiconductor products manufactures in Taiwan and the PRC.

The following are the major developments and milestones of our Group to date:

- | | |
|------|---|
| 2009 | Establishment of Genes Tech which marked the commencement of our Group's business of turnkey solution and trading of used SME and Parts |
| 2010 | Our Group became a vendor to provide used SME in the production of 300mm wafer with turnkey solution for Customer A |
| 2010 | Grant of "Important Capacity Improvement" by Customer A |
| 2012 | Grant of ISO 9001:2008 certification of quality management system by TQCS International (Group) Pty Ltd |
| 2012 | Established and moved to self-owned new headquarter building |
| 2015 | Grant of "Best Strategic Partner" by Customer B |

Note:

- (1) Since our Group has neither made investment nor engaged in technical cooperation activities in the PRC, our Group is not subject to the permissions provided in the Regulations Governing Permission of Making Investment or Engaging in Technical Cooperation Activities in the Mainland Area imposed by the Taiwan Investment Commission.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE HISTORY

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2016. On 6 June 2016, the subscriber of our Company transferred the one Share in issue to Mr. Yang. Please also refer to the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 2. Change in share capital of our Company” in Appendix V to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group. The principal business of our Company is investment holding.

Top Vitality

Top Vitality is a company incorporated in Anguilla on 28 April 2016 with limited liability and an authorised share capital of 1,000,000 shares with a par value of US\$1.00 each. On 17 May 2016, one share was allotted and issued to Mr. Yang at a consideration of US\$1.00.

On 27 June 2016, the following shares of Top Vitality were allotted and issued to the following shareholders:

<u>Shareholders</u>	<u>Number of shares in Top Vitality allotted</u>	<u>Percentage of shareholding in Top Vitality allotted</u>	<u>Consideration (US\$)</u>
Queenbest	4,247	54.92%	4,247
Ever Wealth	920	11.90%	920
Planeta	723	9.35%	723
Tai Yi ¹	1,262	16.32%	1,262
Mr. Yang ¹	316	4.09%	316
Ms. Wei ¹	217	2.81%	217
Mr. Fan ¹	33	0.43%	33
Mr. Lin ¹	14	0.18%	14
Total	<u><u>7,732</u></u>	<u><u>100%</u></u>	

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

On 4 July 2016, 2,267 shares were allotted and issued to Double Solutions at a consideration of HK\$20,000,000. On 22 August 2016, Top Vitality repurchased 1,497 shares from Double Solutions. As a result of the share repurchase, there were 8,503 issued shares in Top Vitality. Please refer to the section headed “History, Reorganisation and Group Structure — Pre-IPO Investment” in this prospectus for details of the share allotment and repurchase of Top Vitality.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 20 June 2017, as part of the Reorganisation, the following shares of Top Vitality were transferred to our Company. In return, our Company allotted and issued 9,999 Shares to the transferors as follows:

<u>Transferor</u>	<u>Number of shares in Top Vitality transferred</u>	<u>Approximate percentage of shares in Top Vitality transferred</u>	<u>Consideration Shares to be allotted</u>
Queenbest	4,247	49.95%	4,995
Ever Wealth	920	10.82%	1,082
Planeta	723	8.50%	850
Tai Yi ¹	1,262	14.84%	1,484
Mr. Yang ¹	317	3.73%	372
Ms. Wei ¹	217	2.55%	255
Mr. Fan ¹	33	0.39%	39
Mr. Lin ¹	14	0.16%	16
Double Solutions	<u>770</u>	<u>9.06%</u>	<u>906</u>
Total	<u>8,503</u>	<u>100%</u>	<u>9,999</u>

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

As a result of the Reorganisation, Top Vitality became our direct wholly-owned subsidiary. The principal business of Top Vitality is investment holding.

Genes Tech

Genes Tech is a company incorporated in Taiwan with limited liability on 28 December 2009 with a total capital and paid capital of NT\$5,530,000 each divided into 553,000 shares of NT\$10.00 each, of which all shareholders contributed as follows:

<u>Shareholder</u>	<u>Shareholding in Genes Tech (shares)</u>	<u>Approximate percentage of shareholding in Genes Tech</u>	<u>Consideration (NT\$)</u>
Mr. Yang	50,000	9.04%	500,000
Mr. Lin	1,000	0.18%	10,000
Mr. Fan	1,000	0.18%	10,000
An Independent Third Party	1,000	0.18%	10,000
Tai Yi	<u>500,000</u>	<u>90.42%</u>	<u>5,000,000</u>
Total	<u>553,000</u>	<u>100%</u>	<u>5,530,000</u>

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 5 March 2010, the total capital was increased from NT\$5,530,000 to NT\$30,000,000 comprised 3,000,000 shares. On 13 April 2010, the paid capital was increased to the same amount of total capital at NT\$10.00 per share and the increased portion was contributed by Queenbest in cash.

Upon the above increase in capital, the shareholding structure of Genes Tech was as follows:

<u>Shareholder</u>	<u>Shareholding in Genes Tech (shares)</u>	<u>Approximate percentage of shareholding in Genes Tech</u>
Mr. Yang ¹	50,000	1.67%
Mr. Lin ¹	1,000	0.03%
Mr. Fan ¹	1,000	0.03%
An Independent Third Party	1,000	0.03%
Tai Yi ¹	500,000	16.67%
Queenbest	<u>2,447,000</u>	<u>81.57%</u>
Total	<u><u>3,000,000</u></u>	<u><u>100%</u></u>

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

On 20 June 2011, the Independent Third Party transferred his 500 shares and 500 shares in Genes Tech to Mr. Lin and Mr. Fan, respectively, at a consideration of NT\$10.00 per share.

After the transfer, the shareholding structure of Genes Tech was as follows:

<u>Shareholder</u>	<u>Shareholding in Genes Tech (shares)</u>	<u>Approximate percentage of shareholding in Genes Tech</u>
Mr. Yang ¹	50,000	1.67%
Mr. Lin ¹	1,500	0.05%
Mr. Fan ¹	1,500	0.05%
Tai Yi ¹	500,000	16.67%
Queenbest	<u>2,447,000</u>	<u>81.56%</u>
Total	<u><u>3,000,000</u></u>	<u><u>100%</u></u>

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 23 August 2011, Queenbest transferred 325,000 shares in Genes Tech to Tai Yi at a consideration of NT\$30.00 per share. On 24 October 2011, the total capital was increased from NT\$30,000,000 to NT\$60,000,000 comprised 6,000,000 shares. On 5 December 2011, the paid capital was increased to the same amount of total capital at NT\$10.00 per share and the increased portion was contributed by the then shareholders of Genes Tech proportional to their respective shareholding. After completion of the above increase in capital and transfer, the shareholding of Genes Tech was as follows:

<u>Shareholder</u>	<u>Shareholding in Genes Tech (shares)</u>	<u>Approximate percentage of shareholding in Genes Tech</u>
Mr. Yang ¹	100,000	1.67%
Mr. Lin ¹	3,000	0.05%
Mr. Fan ¹	3,000	0.05%
Queenbest	4,244,000	70.73%
Tai Yi ¹	<u>1,650,000</u>	<u>27.50%</u>
Total	<u><u>6,000,000</u></u>	<u><u>100%</u></u>

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

On 8 May 2012, Mr. Lin transferred 1,000 shares to Mr. Fan at a consideration of NT\$10.00 per share.

After the transfer, the shareholding structure of Genes Tech was as follows:

<u>Shareholder</u>	<u>Shareholding in Genes Tech (shares)</u>	<u>Approximate percentage of shareholding in Genes Tech</u>
Mr. Yang ¹	100,000	1.67%
Mr. Lin ¹	2,000	0.03%
Mr. Fan ¹	4,000	0.07%
Tai Yi ¹	1,650,000	27.50%
Queenbest	<u>4,244,000</u>	<u>70.73%</u>
Total	<u><u>6,000,000</u></u>	<u><u>100%</u></u>

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 9 October 2013, the total capital increased from NT\$60,000,000 to NT\$200,000,000 comprised 20,000,000 shares. On 11 November 2013, Genes Tech allotted (i) 3,000,000 shares of NT\$10.0 per share, which was satisfied by the distributable profits; and (ii) 3,000,000 shares of NT\$10.0 per share in cash. Upon these allotments, the paid capital of Genes Tech was NT\$120,000,000 comprised 12,000,000 shares of NT\$10.0 per share, and the shareholding structure of Genes Tech was as follows:

Shareholder	Shareholding in Genes Tech (shares)	Approximate percentage of shareholding in Genes Tech
Mr. Yang ¹	492,000	4.10%
Mr. Lin ¹	21,000	0.18%
Mr. Fan ¹	51,000	0.42%
Queenbest	6,591,000	54.92%
Tai Yi ¹	2,250,000	18.75%
Ms. Wei ¹	45,000	0.38%
Ever Wealth	1,428,000	11.90%
Planeta	1,122,000	9.35%
Total	12,000,000	100%

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

On 20 August 2015, Genes Tech allotted 3,000,000 shares of NT\$10.0 per share, which was satisfied by the distributable profit. Upon such allotment, the paid capital of Genes Tech was NT\$150,000,000 comprised 15,000,000 shares of NT\$10.0 per share. On 27 August 2015, Tai Yi transferred its 365,000 shares in Genes Tech to Ms. Wei at a consideration of NT\$22.00 per share. Upon completion of the transfer, the shareholding in Genes Tech was as follows:

Shareholder	Shareholding in Genes Tech (shares)	Approximate percentage of shareholding in Genes Tech
Mr. Yang ¹	615,000	4.10%
Mr. Lin ¹	26,250	0.18%
Mr. Fan ¹	63,750	0.42%
Queenbest	8,238,750	54.92%
Tai Yi ¹	2,447,500	16.32%
Ms. Wei ¹	421,250	2.81%
Ever Wealth	1,785,000	11.90%
Planeta	1,402,500	9.35%
Total	15,000,000	100%

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

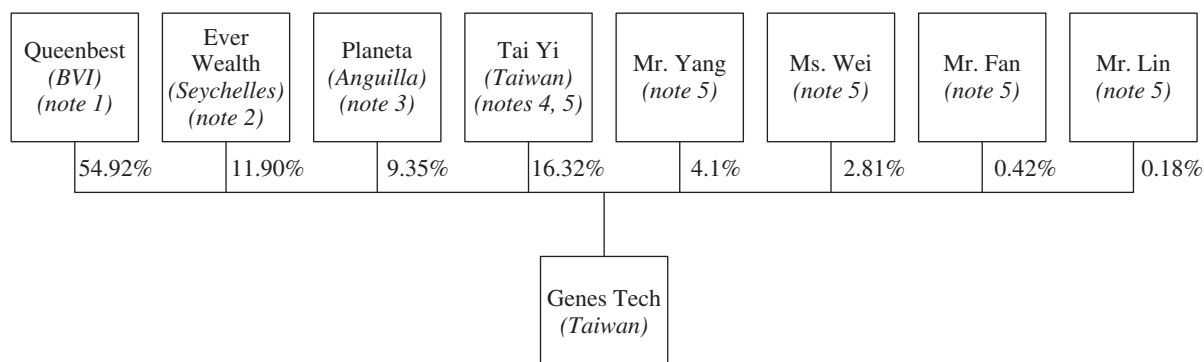
HISTORY, REORGANISATION AND GROUP STRUCTURE

On 30 June 2016, each of Queenbest, Ever Wealth, Planeta, Tai Yi, Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin transferred all of their respective shares in Genes Tech to Top Vitality at a consideration of NT\$15 per share. Upon completion of the transfers, Genes Tech was wholly-owned by Top Vitality and became our indirect wholly-owned subsidiary.

The principal business of Genes Tech is the provision of turnkey solution and trading of SME and Parts in Taiwan.

REORGANISATION

The following chart sets forth our corporate and shareholding structure prior to the Reorganisation:



Notes:

1. Queenbest is a company incorporated in the BVI. As at the Latest Practicable Date, it was held by 45 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding, who together held approximately 53.6% interests in Queenbest. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests from approximately 0.02% to 7.3%.
2. Ever Wealth is a company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, it was held by nine individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding, who together held approximately 53.5% interests in Ever Wealth. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
3. Planeta is a company incorporated in Anguilla. As at the Latest Practicable Date, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding, who together held approximately 61.3% interests in Planeta. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
4. Tai Yi is a company incorporated in Taiwan. As at the Latest Practicable Date, it was held by six individual shareholders.
5. Mr. Yang, Ms. Wei, Mr. Fan, Mr. Lin and Tai Yi are parties to the Concert Party Agreement and are a group of Controlling Shareholders. For details of the background of the Concert Parties, please refer to the section headed "Relationship with Controlling Shareholders — Summary of the Concert Party Agreement" in this prospectus.

HISTORY, REORGANISATION AND GROUP STRUCTURE

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation which involved the following steps:

Incorporation of our Company

On 6 June 2016,

- (a) our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares;
- (b) one Share was allotted and issued to the subscriber for cash at par; and
- (c) the subscriber transferred the one Share to Mr. Yang for cash at par.

Incorporation of Top Vitality

On 28 April 2016, Top Vitality was incorporated in Anguilla with limited liability as our intermediate holding company with an authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each.

On 17 May 2016, one share was allotted and issued to Mr. Yang for cash at par.

On 27 June 2016, Top Vitality allotted and issued 7,732 shares to the following Shareholders:

<u>Shareholder</u>	<u>Number of shares in Top Vitality allotted</u>	<u>Percentage of shareholding in Top Vitality allotted</u>	<u>Consideration (US\$)</u>
Queenbest	4,247	54.92%	4,247
Ever Wealth	920	11.90%	920
Planeta	723	9.35%	723
Tai Yi ¹	1,262	16.32%	1,262
Mr. Yang ¹	316	4.09%	316
Ms. Wei ¹	217	2.81%	217
Mr. Fan ¹	33	0.43%	33
Mr. Lin ¹	14	0.18%	14
Total	<u>7,732</u>	<u>100%</u>	

Note:

- (1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Acquisition of Genes Tech by Top Vitality

On 24 May 2016, each of Queenbest, Ever Wealth, Planeta, Tai Yi, Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin signed share transfer consent letter and declaration letter for transferring all of their respective shareholding amounting to 15,000,000 shares in Genes Tech to Top Vitality at a consideration of NT\$15 per share. On 8 June 2016, MOEAIC issued the approval for the above transfers.

Allotment shares of Top Vitality to pre-IPO investor

On 23 June 2016, Top Vitality and Double Solutions entered into a share subscription agreement. Pursuant to the agreement, Top Vitality agreed to issue and Double Solutions agreed to subscribe for 2,267 shares in Top Vitality at a consideration of HK\$20,000,000.

On 4 July 2016, Top Vitality allotted and issued 2,267 shares (representing approximately 22.67% shares in issue) in Top Vitality to Double Solutions at a consideration of HK\$20,000,000.

On 15 July 2016, Top Vitality and Double Solutions agreed to reduce the investment amount in our Group from HK\$20,000,000 to HK\$8,000,000. Consequently, the shareholding of Double Solutions in Top Vitality was reduced to 770 shares (representing approximately 9.06% shares in issue). On 22 August 2016, Top Vitality repurchased from Double Solutions 1,497 shares. Please refer to the section headed “History, Reorganisation and Group Structure — Pre-IPO Investment” in this prospectus for details.

Acquisition of Top Vitality by our Company

On 20 June 2017, each of the shareholders in Top Vitality transferred all of their respective shareholdings in Top Vitality to our Company. In consideration of such transfers, our Company allotted and issued a total of 9,999 Shares to the transferors as follows:

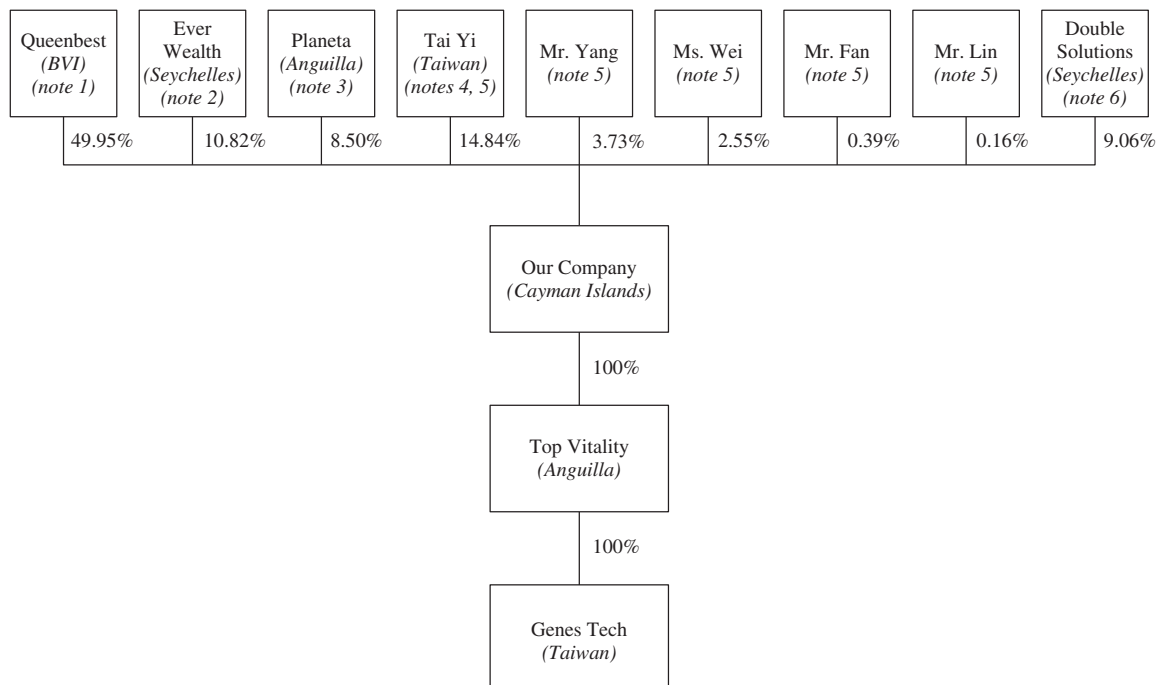
<u>Transferor</u>	<u>Number of shares in Top Vitality transferred</u>	<u>Approximate percentage of shares in Top Vitality transferred</u>	<u>Consideration of Shares to be allotted</u>
Queenbest	4,247	49.95%	4,995
Ever Wealth	920	10.82%	1,082
Planeta	723	8.50%	850
Tai Yi ¹	1,262	14.84%	1,484
Mr. Yang ¹	317	3.73%	372
Ms. Wei ¹	217	2.55%	255
Mr. Fan ¹	33	0.39%	39
Mr. Lin ¹	14	0.16%	16
Double Solutions	<u>770</u>	<u>9.06%</u>	<u>906</u>
Total	<u><u>8,503</u></u>	<u><u>100%</u></u>	<u><u>9,999</u></u>

Note:

(1) Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets forth our corporate and shareholding structure upon completion of the Reorganisation but immediately before the Share Offer and the Capitalisation Issue:

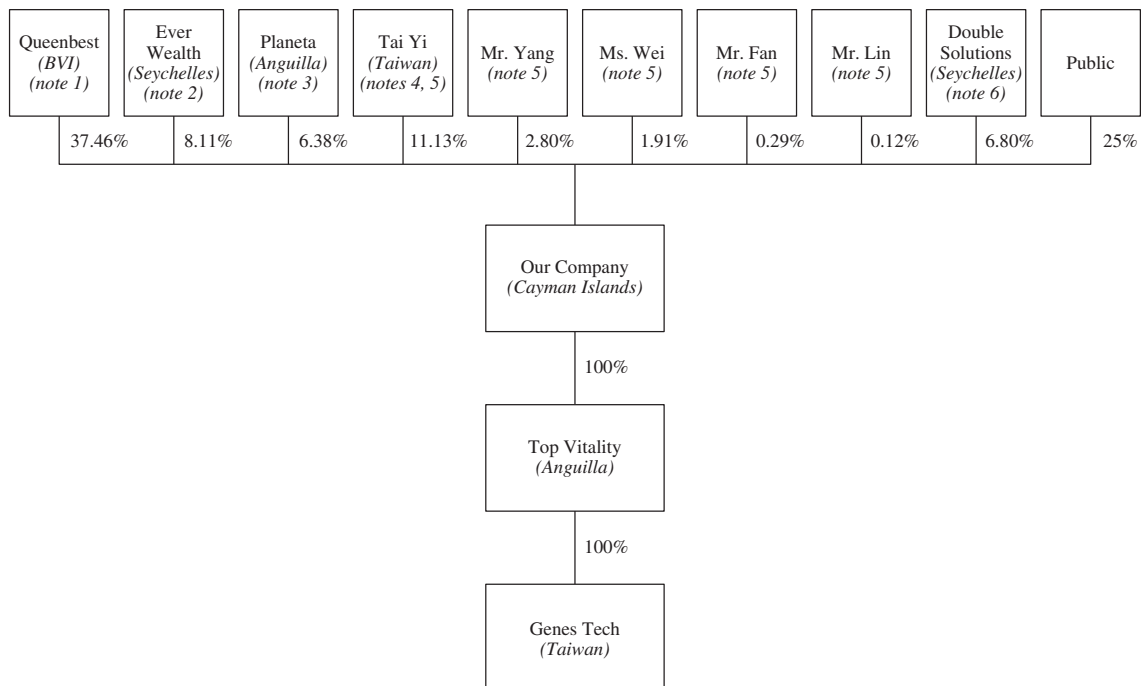


Notes:

1. Queenbest is a company incorporated in the BVI. As at the Latest Practicable Date, it was held by 45 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding, who together held approximately 53.6% interests in Queenbest. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.02% to 7.3%.
2. Ever Wealth is a company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, it was held by nine individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding, who together held approximately 53.5% interests in Ever Wealth. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
3. Planeta is a company incorporated in Anguilla. As at the Latest Practicable Date, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding, who together held approximately 61.3% interests in Planeta. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
4. Tai Yi is a company incorporated in Taiwan. As at the Latest Practicable Date, it was held by six individual shareholders.
5. Mr. Yang, Ms. Wei, Mr. Fan, Mr. Lin and Tai Yi are parties to the Concert Party Agreement and are a group of Controlling Shareholders. For details of the background of the Concert Parties, please refer to the section headed “Relationship with Controlling Shareholders — Summary of the Concert Party Agreement” in this prospectus.
6. Double Solutions is a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets forth the corporate and shareholding structure of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares to be allotted and issued upon exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme):



Notes:

1. Queenbest is a company incorporated in the BVI. As at the Latest Practicable Date, it was held by 45 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding, who together held approximately 53.6% interests in Queenbest. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.02% to 7.3%.
2. Ever Wealth is a company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, it was held by nine individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding, who together held approximately 53.5% interests in Ever Wealth. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
3. Planeta is a company incorporated in Anguilla. As at the Latest Practicable Date, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding, who together held approximately 61.3% interests in Planeta. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
4. Tai Yi is a company incorporated in Taiwan. As at the Latest Practicable Date, it was held by six individual shareholders.
5. Mr. Yang, Ms. Wei, Mr. Fan, Mr. Lin and Tai Yi are parties to the Concert Party Agreement and are a group of Controlling Shareholders. For details of the background of the Concert Parties, please refer to the section headed "Relationship with Controlling Shareholders — Summary of the Concert Party Agreement" in this prospectus.
6. Double Solutions is a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Should the Offer Size Adjustment Option be exercised in full, our Company will be beneficially held as to approximately 36.11% by Queenbest, 7.82% by Ever Wealth, 6.14% by Planeta, 10.73% by Tai Yi, 2.70% by Mr. Yang, 1.84% by Ms. Wei, 0.28% by Mr. Fan, 0.12% by Mr. Lin, 6.55% by Double Solutions and 27.71% by the public.

PRE-IPO INVESTMENT

The share subscription agreement

On 23 June 2016, Top Vitality and Double Solutions entered into a share subscription agreement. Pursuant to the agreement, Top Vitality agreed to issue and Double Solutions agreed to subscribe for 2,267 shares (representing approximately 22.67% shares in issue) in Top Vitality at a consideration of HK\$20,000,000.

Pursuant to the aforesaid share subscription agreement, on 4 July 2016, Top Vitality allotted and issued 2,267 shares in Top Vitality to Double Solutions. The share subscription agreement provides that Double Solutions may nominate an executive director to our Board upon completion of the share subscription in Top Vitality. Double Solutions has not nominated such director to our Board and it confirmed that it would not exercise such nomination right and such nomination right will lapse upon the Listing.

On 15 July 2016, upon review of our cash flow position, Top Vitality and Double Solutions agreed to reduce the investment amount by Double Solutions in Top Vitality from HK\$20,000,000 to HK\$8,000,000. Accordingly, the number of shares allotted and issued to Double Solutions were reduced from 2,267 shares to 770 shares. On 22 August 2016, Top Vitality repurchased from Double Solutions the surplus 1,497 shares, which were cancelled upon completion of the share repurchase. As a result of the share repurchase, Double Solutions held 770 shares in Top Vitality, representing approximately 9.06% of the shares in issue.

The following table sets forth the key details of the pre-IPO investment:

Pre-IPO investor	Date of agreement	Date of allotment	Target company	Number and approximate percentage of Shares allotted before the Capitalisation Issue	Number and approximate percentage upon Listing <i>(note 1)</i>	Consideration and date of payment	Cost per Share (HK\$)	Discount to Offer Price <i>(note 2)</i>
Double Solutions	23 June 2016	4 July 2016	Top Vitality	906 Shares 9.06%	67,950,000 Shares 6.80%	HK\$8,000,000 27 June 2016	0.12	55.6%

Notes:

1. Based on the number of Shares to be in issue upon completion of the Share Offer and Capitalisation Issue but assuming the Offer Size Adjustment Option is not exercised.
2. Based on the mid-point of the indicative Offer Price range of HK\$0.22 and HK\$0.32, being HK\$0.27 per Share.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The consideration of HK\$8,000,000 was reached by Top Vitality and Double Solutions by arm's length negotiations and was determined in the following manner:

$$C = V \times 9.06\%$$

Where:

“C” = total share subscription price

“V” = the estimated value of Genes Tech of approximately HK\$88,222,320

The proceeds from the pre-IPO investment were paid to our Group and such proceeds were used to pay for the listing expenses and general working capital of our Group.

Background of the pre-IPO investor

Double Solutions is a company incorporated in the Republic of Seychelles with limited liability and is beneficially owned by Ms. Chan Suk Sheung Rembi as to 90% and Mr. Chen Tsou-Wei as to 10%, each being an Independent Third Party. To the knowledge of our Directors, Double Solutions is principally engaged in investment activities and its shareholders have experience in fund-raising and investment activities. Our Directors believe that having Double Solutions as our Shareholder would benefit us through its advice on our future investment activities and business expansion. Double Solutions was introduced to our Company through the acquaintance of Mr. Yang and Mr. Chen Tsou-Wei, who knew each other personally for many years.

Other matters

Double Solutions undertakes to our Company that it shall not dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares or the interests thereon within 12 months from the Listing Date. Each of Ms. Chan Suk Sheung Rembi and Mr. Chen Tsou-Wei undertakes to our Company that he or she shall not dispose of or otherwise create any options, rights, interests or encumbrances in respect of the shares of Double Solutions (or the interests thereon) within 12 months from the Listing Date. The Shares held by Double Solutions will be counted towards the public float after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules.

Since the subscription money for Pre-IPO investment was fully settled by Double Solutions on or before 27 June 2016, the Sponsor is of the view that the share subscription is in compliance with the “Interim Guidance on Pre-IPO investments” (HKEx-GL29-12) and “Guidance on Pre-IPO Investments” (HKEx-GL43-12) issued by the Stock Exchange.

BUSINESS

OVERVIEW

We are a turnkey solution provider and exporter of used SME and Parts based in Taiwan. Since the commencement of our business in 2009, our Group has been providing turnkey solution of used SME and Parts to our customers who are mainly semiconductor manufacturers that need to alter and/or upgrade their production system from time to time. In addition to our turnkey solution of used SME and Parts as the major revenue driver of our Group, we also derived revenue from the trading of SME and Parts.

The following table sets forth a breakdown of the revenue of our Group by types of business during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Turnkey solution	629,164	91.7	881,099	85.9	1,094,222	89.4
Trading of SME and Parts	56,802	8.3	144,820	14.1	129,072	10.6
Total revenue	685,966	100	1,025,919	100	1,223,294	100

Our Group focused on providing our customers with SME and Parts including furnace, clean track and others, which are used in the front-end of the semiconductor manufacturing process, wafer fabrication such as deposition, photoresist coating and development. We are responsible for sourcing the used SME and Parts for our customers as part of our integrated solution. Our turnkey solution of used SME and Parts was mainly based on the used SME and Parts under the brand of a leading Japanese manufacturer which we mainly sourced from overseas dealers and other overseas turnkey solution providers. Our used SME is used by semiconductor manufacturers in manufacturing different sizes of wafer which can be assembled and packaged into different types of semiconductor products. A broad array of products rely on semiconductors to offer increased performance and functionality, including mobile phones, personal digital assistants (PDAs), game consoles, DVD players and many other digital consumer electronic products.

During the Track Record Period, over 50% of our revenue were derived from our customers which are leading semiconductor manufacturers listed on NYSE, TWSE, the Stock Exchange and/or NASDAQ.

According to the Frost and Sullivan Report, in 2015, we contributed a revenue of approximately NTD0.88 billion, representing 4.7% of market share in turnkey solution market in Taiwan. Also, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have historically contributed to our success and will continue to contribute to our future growth:

We are one of the leading turnkey solution provider and exporter of used SME and Parts under the Japanese brand in Taiwan

We are one of the turnkey solution providers and exporters of used SME and Parts under the Japanese brand in Taiwan in providing turnkey solution of used SME and Parts to semiconductor manufacturers. We provide one-stop service including (i) undertaking expansion of the comprehensive set of production lines (scope of our work covering SME supply, modification and refurbishment, installation and testing of production lines); and (ii) repair or maintenance of certain parts within existing production lines or supply of SME on a standalone basis to upgrade existing production lines. Our Group offers our customers with the choice of turnkey solution of used SME and Parts at competitive prices lower than first-hand custom-made SME. Our turnkey solution of used SME and Parts enables our customers to extend the use of their depreciated SME and we also provide our customers with refurbished and customized SME matching to their manufacturing needs at reduced cost.

According to the Frost and Sullivan Report, in 2015, we contributed a revenue of approximately NTD0.88 billion, representing 4.7% of market share in turnkey solution market in Taiwan. Also, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan. We believe this market share is attributed to our ability to customize the refurbishment of the used SME in accordance to different technical requirements and specifications of our customers.

Our senior engineers and senior management have been well-trained and have accumulated ample working experience in handling the used SME under this brand. Over the past six years, leveraging on our expertise and business network on refurbishing the used SME under this brand and the cost-effectiveness nature of the provision of turnkey solution on used SME, our Group has established a reputation and became a leading player in the provision of turnkey solution to used SME under this brand in Taiwan.

Our sales team works closely with our customers to understand their production needs, such as the application and quality specifications of the specific semiconductor products and the expected production volume of their production facilities. Based on the information collected by our sales team, our technical support team then prepares a customised technical agreement to advise our customer on the specifications and design of the production facilities for semiconductor products.

We believe that our flexible and customer-oriented approach allows our Group to capture business opportunities arising from customers' various needs, such as replacement of their existing SME, expansion of their production capacities, migration and construction of new production plants.

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We have an experienced and stable management team, a team of project managers with technical expertise and skilled employees

Our experienced and stable management team has successfully managed our operations and improved our research and development capabilities throughout the Track Record Period. Our management team possesses in-depth industry knowledge and expertise in the semiconductor industry.

Mr. Yang, our Chairman and executive Director, and Mr. Fan, our executive Director and vice president, both have more than 15 years of experience in the semiconductor industry and the related SME industries. Led by our executive Directors, our management team has successfully implemented business development strategies, captured growing market opportunities and established our market position in used SME industry in Taiwan.

We believe that the knowledge and extensive experience of our capable management team and the technical expertise of our project managers, along with our skilled engineers, provide us with significant competitive advantages in the SME industry.

We adopt a comprehensive quality management system with quality control mechanisms which is also recognised by our customers

We place great emphasis on the quality of our used SME. We have adopted a quality management system to ensure strict quality control on our products at various stages of our manufacturing processes, including procurement of used SME, inspection of incoming Parts and process inspection of refurbishment, modification, on-site or in-house installation, relocation, maintenance, upgrading, repairing and testing. For details of our quality control mechanisms, please refer to the section headed “Business — Quality Control” in this prospectus.

We were accredited with the certification of “ISO 9001:2008 Quality Management System” in recognition of our good quality management. We believe our quality control throughout our whole service process has further enhanced our customers’ confidence in our products. During the Track Record Period, there was no return of used SME from our customers due to quality issue.

We were also recognised by our customers for the good quality of our products and customer service during the Track Record Period. Over years of operations, we have received awards from our customers, including the Best Strategic Partner and Recognition Record, which indicated the good quality of our products and services. For details of our awards and recognitions, please refer to the section headed “Business — Awards and Recognitions” in this prospectus.

We have stable relationship with our major suppliers

We have also established stable relationship with our major suppliers. We procure and purchase used SME and Parts from a list of approved suppliers mainly located in Taiwan, South Korea and the USA. By leveraging on our suppliers’ network in the SME market, we closely communicate with our suppliers to obtain the latest market information and source used SME at a competitive price for our turnkey solution of used SME and Parts. We believe that our stable relationship with our major suppliers have also helped us to maintain our competitiveness in the market.

BUSINESS STRATEGIES

We aim to maintain and/or enhance our position as a provider of turnkey solution of used SME and Parts. We plan to achieve this goal through adopting and implementing the following strategies:

Strengthening sales and capturing opportunities in the used SME industry in the PRC and Taiwan

Driven by the continuous economic growth and the favourable government policies in the PRC, the demand for SME is expected to rise constantly. According to the Frost and Sullivan Report, Taiwan is the world's largest market for SME, representing a quarter of the total worldwide market, and the Taiwanese government has made laws to protect the local semiconductor industry and encourage local production.

We intend to strengthen our sales and capture new opportunities in providing turnkey solution of used SME and Parts by (i) visiting potential customers; (ii) sharing industry intelligence on technological development trends with our customers; (iii) providing assistance to our customers on their SME maintenance and expansion plan; and (iv) distributing marketing materials such as services introduction brochures.

Building an extra floor on our existing headquarter

We intend to expand our headquarter located in Taiwan by approximately 1,574 square meter through building an extra floor on our existing self-owned property comprising a three-storey building and a basement. 26.6% of our net listing proceeds will be used for the construction of the extra floor, including design, application for related licences, water, electricity and air conditioning installation and fire protection systems. The total construction cost is approximately NTD48.7 million and we plan to finance such development plan by applying approximately NTD46.5 million of the net proceeds from the Share Offer and the balance by internal resources. We are permitted to build an extra floor, the fourth floor, of around 1,574 square meter according to the relevant laws and regulations in Taiwan. Our Group's capital expenditures principally consisted of purchase of buildings and office equipment. Our Group's estimated capital expenditure for the year ending 31 December 2017 and 2018, are approximately NTD48.7 million in respect of building extra-floor and nil respectively.

Our Directors confirmed that 40% of the fourth floor will be used to accommodate our overall growing number of employees and the works station and storage of inventories. Currently, we have four clean rooms being used for the refurbishment and repairment of used SME under the Japanese brand, the space for which is nearly saturated. During the Track Record Period, the utilization rate of the clean rooms for the years ended 31 December 2014, 2015 and 2016 were approximately 75.0%, 89.3% and 76.8%, respectively. The decreasing utilization rate of the clean rooms possessed by our Group during the year ended 31 December 2016 was mainly due to an increase in purchase orders that required modifications of used SME on our customers' sites. Our Directors are of view that the location where we provide our turnkey solution predominantly depends on the specifications on our customers' purchase orders and that the utilization rate of clean room of over 75% during the years ended 31 December 2015 and 2016 indicates that our Group might be running out of space should there be a growth in purchases orders to be fulfilled in our own sites. Our Directors believe that the extra clean room can increase our capacity in preparation of handling more purchase orders going forward. Our Directors confirmed that 30% to 40% of the fourth floor will be used to set up one clean room to refurbish and repair used SME under other brands because of the size of the used SME. 20% of the fourth floor will be used by our

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research team for doing research and testing used SME under other brands. Our Directors confirmed that there is no need to purchase any additional auxiliary machines or install additional working facilities to provide turnkey solution under other brands. According to the Frost and Sullivan Report, the company size and working facilities (i.e. maintaining certain number of clean rooms) are important factors that the leading semiconductor manufacturers will consider when selecting their suppliers. We believe such expansion would increase our capacity, enhance our operational efficiency and elevate our image.

Note:

- (1) Calculation of utilization rates for the three years ended 31 December 2016 is based on the SME which requires the usage of clean rooms divided by total output if all the clean rooms are operated in full capacity in the corresponding period.

Maintaining a healthy financial position and liquidity by repaying our loan

We intend to adopt a disciplined financial strategy in our business operations and to maintain a healthy financial position without exposing ourselves to relatively high gearing ratio (i.e. our interest bearing liabilities is significantly larger than our total equity) in order to achieve sustainable growth in the long term.

We also intend to continue to actively manage the progress in the provision of our turnkey solutions and trade receivables to ensure that sufficient cash will be generated internally for our ongoing capital needs. Our Directors believe that a prudent financial management in capital commitment could provide reasonable return for our shareholders steadily while ensuring our continued growth in the long term. Given the uncertain interest rate movement going forward, our Directors believe that our Group's financial performance and liquidity may be negatively affected due to (i) the possible increase in our Group's principal and interest payments, and (ii) our Group may expose to increasing borrowing costs in the future if our Group proceeds with debt financing to fund our Group's business expansion. In addition, releasing mainly the unsecured bank borrowing as detailed under section headed "Financial Information — Analysis of Various Items in the Consolidated Statements of Financial Position — Bank borrowings" in this prospectus could enable our Group with more flexibility to implement its business objectives as our Directors also believe that upon repaying the current bank borrowings, our Group could obtain alternative debt financing with more favourable terms from financial institutions.

Such flexibility also further improve our position in coping with working capital sufficiency of our Group, as detailed under section headed "Financial Information — Analysis of Various Items in the Consolidated Statements of Financial Position — Trade payables — Potential mismatch of trade receivable days and trade payable days" in this prospectus. Our Directors are of the view that such improvement on our gearing would strengthen our corporate image and enhance the confidence of our Group's stakeholders towards our financials.

Continuing effort in research and development

We will continue to strengthen our research and development capabilities and commit to the technical development of our existing product portfolio and potential new products to maintain and enhance our position as one of the leading turnkey solution providers of used SME and Parts under the Japanese brand in Taiwan. With the aim to cover more value-added products and enhancing our core technologies and their applicability and reliability, we will devote more resources (including human resources, hardware equipment and software) to research and development.

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We have been collaborating with ITRI in Taiwan since 2015 to strategically enhance our research and development capabilities by making use of their expertise in the UVC-LED technology. For more details of our collaboration with ITRI, please refer to the section headed “Business — Research and Development” in this prospectus.

Recruiting and expanding our team of skilled and technical personnel and strengthening our expertise in the semiconductor industry

We plan to expand our scale of operation by increasing our number of employees and expect to hire 14 additional staff members, including two engineers, ten senior engineers and two business development staff, by 30 June 2019. Among the engineers and senior engineers that we expect to hire to improve the breadth and depth of our technical expertise, some of them can handle used SME under the Japanese brand, some of them can handle SME under other brands, and some of them have knowledge to MOCVD techniques, subject to the market demand of our turnkey solutions. Our Directors are of the view that hiring engineers with knowledge and experience of MOCVD techniques can benefit our Group in the following ways: (i) leveraging their experience and knowledge, we can shorten the processing time of providing MOCVD equipment, (ii) our existing engineers can learn the MOCVD techniques from these engineers and the knowledge of MOCVD of the entire workforce can be enhanced to increase our production capacity and quality, and (iii) our Group can leverage on these engineers’ established client network and build up connection with potential clients. We also expect to hire business development staff who could work closely with our customers to understand their requirements and effectively care their specifications according to their production needs.

Our Directors believe that by expanding our scale of operation, we will be able to (i) provide tailored solutions that meet our customer’s requirements; (ii) broaden the spectrum of our turnkey solution; (iii) widen our customer base; and (iv) increase our market share. As Taiwan and the PRC are the global leading markets for semiconductor manufacturing, a majority of our revenue was derived from Taiwan and the PRC, the semiconductor market of which is expected to maintain a growing trend according to the Frost and Sullivan Report, which would support our Group’s financial performance in terms of the growth of revenue of our Group.

OUR SOLUTION AND PRODUCTS

We are a turnkey solution provider and exporter of used SME and Parts in Taiwan. Our business can be broadly classified into two major segments: (i) turnkey solution of used SME and Parts, and (ii) trading of SME and Parts. A brief description of the scope of our business is as follow:

(i) Turnkey solution of used SME and Parts

Our turnkey solution represented (i) the sourcing and sales of the used SME and Parts after our refurbishment, modification, installation and/or customization to our customers’ specifications; and (ii) the repair, upgrading and maintenance services required by our customers on their existing SME.

Each of the SME needs to be technically customized to fit-in an existing production line in order to produce the required semiconductor products. We refurbished SME acquired from our suppliers mainly under the brand of a leading Japanese manufacturer. Our turnkey solution is required from time to time when our customers need to alter their production lines and production

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systems, i.e. expanding the production line, migrating the production facilities or relocating the SME. The specification of our turnkey solution is customized in accordance with the production requirements of our customers. Generally, we provide warranty period to our customers up to 12 months.

Following acquisition of an used SME from us, our customers may ask us to (i) modify their SME; (ii) provide repair and maintenance services; and (iii) provide Parts from our inventory.

Turnkey solution of used SME and Parts contributed over 85% of our total revenue for each of the Track Record Period and has been our major business segment.

(ii) Trading of SME and Parts

According to the Frost and Sullivan Report, the leading SME and Parts manufacturers gradually phase out their production of the SME and Parts developed in the earlier stage in the pursuit of the technology advancements resulting in bigger and smaller transistors. Nevertheless, as the wafers, such as, 200mm and 300mm, produced by these SME and Parts are still today's mainstream products that are widely used, there will be a disequilibrium in the supply and demand in the market. While the demand from the end markets of these wafers are blooming and the supply of the SME and Parts of these wafers decreased, there will be an emerging demand of used SME and Parts providers to fill up the demand.

During the course of our turnkey solution business, we acquire used SME and Parts from (i) our overseas dealers, (ii) other overseas turnkey solution providers, and (iii) SME and Parts disposed by our customers. We also source the Parts from agents in Taiwan or from the manufacturers of the Parts directly. For some of our excess used SME, we sell to other overseas turnkey solution providers. For some of our excess Parts we considered we have sufficient inventory level, we sell to (i) our turnkey solution customers which are semiconductor manufacturers; (ii) other overseas turnkey solution providers; and (iii) overseas dealers. In addition, under certain circumstances, we also dismantle the used SME and sell the Parts.

In deciding whether the used SME and Parts we required from the above sources are used in our turnkey solution or to be sold in trading business, we make our decision by reference to the following considerations:

- Our acquisition cost of the used SME and Parts
- Our inventory level and market availability of the used SME and Parts
- Our expected demand of the used SME and Parts
- The profitability of the potential purchase order of the used SME and Parts

For our sales to our overseas turnkey solution providers, we participated in the trading of used SME and Parts we acquired in the secondary market and/or from our SME manufacturer customers upon our regular assessment of our inventory on hand and pricing policy, the details of which were explained in the section headed "Business — Customers, Sales and Marketing — Pricing Policy" in this prospectus.

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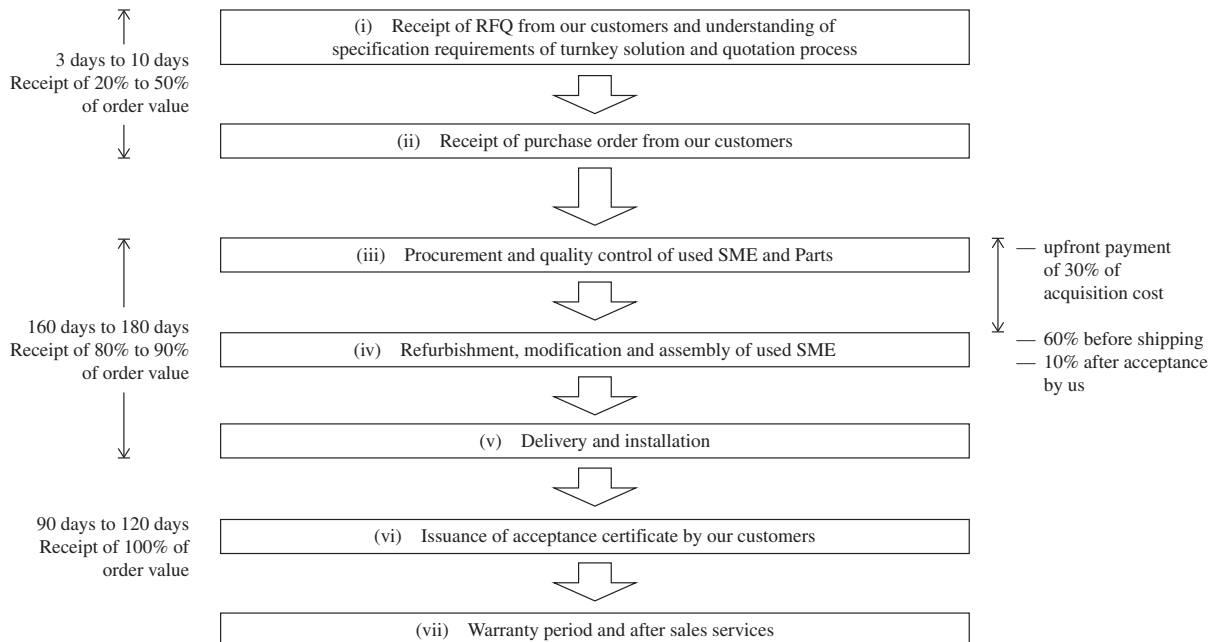
As a result, our customers might also be our suppliers. For details, please refer to the section headed “Business — Customers, Sales and Marketing — Overlapping of major customers and suppliers” in this prospectus.

Trading of SME and Parts accounted for approximately 8.3% to 14.1% of our total revenue during the Track Record Period.

Our Business Model

Generally, each of the SME requires customization to fit into the production lines of different semiconductor manufacturing plants of our customers. Our turnkey solution business is derived from the needs of our customers, mainly by reasons of (i) their expansion plan on their production lines that requires additional SME and Parts; and (ii) day-to-day repair, upgrade and maintenance on existing production lines.

The following chart highlights the major operation processes, the lead time and settlement arrangement of our business:



(i) RFQ from our customers and understanding of specification requirements of turnkey solution and quotation process

Our sales team is responsible for liaising with and handling enquiries from our customers and potential customers with respect to their production and technical requirements. Our sales staff are severally occupied with semiconductor engineering background and technical knowledge who could work closely with our customers to understand their requirement and effectively cater their specifications according to their production needs. Our sales team will then come up with a quotation through our ERP quotation system and obtain the approval from our sales manager. Our quotation is generally formulated based on our estimated project costs plus a mark-up margin and will normally set out the detailed technical specifications of our products (including technical

specification of each of the machines) and the testing standards of our products, the price for the SME, our standard terms and conditions and the payment terms. Our quotations are typically valid for 30 days from the date of issue.

(ii) Receipt of purchase order from our customers

We confirm our acceptance of the order from our customers by signing the purchase order. In general, a first payment of 20% to 50% of the order value is payable by our customers upon our issuance of invoice after signing the purchase order.

Once we confirm the purchase order and receive the first payment from our customers, our engineering department will typically form a professional team comprising several engineers including a project manager based on the size and requirements of each project. We will also set out an agreed internal targeted timeframes of product delivery for each project.

(iii) Procurement and quality control of used SME and Parts

Approval should be received from our management team before the procurement enquires were sent to the procurement department. Each procurement enquiry is attached with the quotation from the materials suppliers in our approved suppliers list. Any new supplier will be assessed under our supplier management procedure. Based on the procurement enquires received and the confirmation on availability of certain materials in our inventories, our procurement team will prepare a procurement list and procure the SME and other necessary Parts. The Parts procured vary depending on the level of our inventory. We inspect and process Parts used in the refurbishment and installation of our used SME. Our purchase order containing the SME specification, quantity, delivery date and payment terms will be confirmed by our staff before being sent to our suppliers. Our procurement department will follow up the delivery conditions to ensure that the used SME and Parts arrive on schedule.

(iv) Refurbishment, modification and assembly of used SME

As at the Latest Practicable Date, our technical department comprises 70 engineers mainly responsible for refurbishing and customizing used SME according to the specification of our customers. During the customization process, our engineers are responsible for the specification setting and the modification process. Our engineers will monitor the entire process closely and communicate with our customers frequently to ensure the necessary specification matched with our customers' requirements.

Upon completion of the refurbishment, each SME is subject to in-house inspection under the quality control (i.e. testing) procedures before packaging and delivery to our customers to ensure that our products meet our strict quality control and specifications as well as those of our customers.

(v) Delivery and installation

After passing our in-house inspection and checking, our customers may come to our premises to conduct a preliminary check on the finished products. Once they confirm preliminary acceptance, our products will then be packed and delivered to our customer's site for on-site

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installation. In general, a product delivery payment of 40% to 60% of the order value is payable by our customers upon delivery. We usually deliver our products by air to our overseas customers and through land transportation to our customers in Taiwan. Pursuant to the respective purchase order, transportation and insurance costs could be borne by our Group or our customers. For our overseas customers, the risk of loss and damage of the goods is transferred from us to our customer when the products are delivered to our customers and we complete the installation and on-site testing. During the Track Record Period, we did not experience any material disruption to the delivery of our products which caused us to suffer loss or to pay compensation.

After the products are delivered to our customer's manufacturing site, our engineers will install the SME into our customers' production lines. Our customers will then perform the testing and if required, our engineers are responsible for further modification until our customers are satisfied with the function and specification of the SME. Normally, the installation period lasts for two months and the testing period lasts for one month.

(vi) Issuance of acceptance certificate by our customers

Our customers would issue an acceptance certificate to us to acknowledge their acceptance of our products if they are satisfied with the testing results. In general, a further payment of 10% to 20% of the order value is payable by our customers upon the issuance of acceptance certificate.

(vii) Warranty period and after sales services

The sales of our products normally come with a warranty period of three to 12 months from the receipt of certificate of acceptance. During the warranty period, the services we provide to our customers include technical support, both onsite and offsite repair and maintenance and provide non-consumable Parts free of charge. We charge our customers for the replacement of consumable Parts. Please refer to the section headed "Business — Customers, Sales and Marketing — Product warranty" in this prospectus for further details of the product warranty relating to our turnkey solution. We also provide our customers with repairing, upgrading and maintenance services as required on their existing SME.

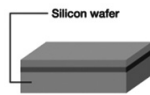
SEMICONDUCTOR MANUFACTURING PROCESS AND OUR TURNKEY SOLUTION

The semiconductor manufacturing process can be generally classified into (i) front-end which contains wafer fabrication and wafer probe; and (ii) back-end which contains packaging and test. Our turnkey solution mainly includes clean track and furnace, which are used in front-end wafer fabrication.

Wafer fabrication comprises deposition, photoresist coating and development, which are some of the processes to assemble the circuit on the wafer. The wafer can then be diced into independent dies to be packaged into integrated circuit which can be applied to digital and electronic goods.

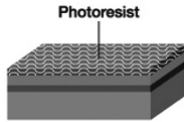
The general steps for the front-end wafer fabrication of the semiconductor manufacturing process are set out below. Currently our products can be used in step 1 and step 2(i) and (iii) below:

Step 1 Oxide and nitride film deposition*



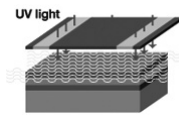
As a pre-processing procedure, the surface of a wafer is thoroughly cleaned. This is followed by thermal processing, in which a thin film of silicon dioxide or silicon nitride is formed on the wafer surface.

Step 2 Pattern formation



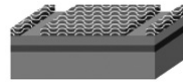
(i) Photoresist coating*

While the wafer is rotated at a high speed, a thin layer of photoresist which is a light-sensitive material that changes its properties when exposed to ultraviolet light is coated uniformly on its surface.



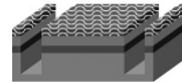
(ii) Exposure

To transfer the integrated circuit pattern onto a wafer, an equipment irradiates ultraviolet light on the photoresist layer through a patterned photomask aligned over the wafer.



(iii) Development*

The portion of the photoresist layer exposed to UV light is then removed by a developing solution using clean track, leaving the circuit patterns on the wafer surface.



(iv) Etching

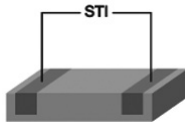
A plasma etch system removes the exposed dielectric silicon dioxide/nitride layer from the wafer surface according to the remaining photoresist.



(v) Ashing/Cleaning

In a post-etch process, the residual photoresist is removed, and the wafer is soaked into chemical solvents to remove particles and impurities on the wafer using scrubber.

Step 3 Isolation formation



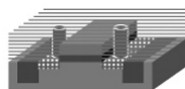
A layer of dielectric material (silicon dioxide) is deposited into the patterned trenches to isolate individual transistors (elements).

Step 4 Gate formation



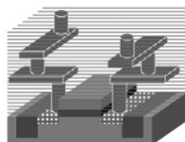
A gate dielectric (oxide) layer is formed by thermal oxidation, on which a gate electrode layer (polysilicon) is deposited.

Step 5 Contact formation



To form wiring that connects individual transistors, first a dielectric (oxide) layer is deposited over the gate layer so another layer of circuit can be laid on top. Contact holes are then opened in the dielectric layer, and are filled with metal.

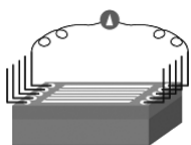
Step 6 Interconnect formation



Another dielectric layer is deposited on top, in which trenches are etched to form yet another wiring pattern. The trenches are filled with a metal film, and then the excess metals are polished and the surface is planarized. These processes are repeated to make a multi level interconnect.

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Step 7 Prove testing



Each integrated circuit is tested by a wafer prober to find any failed circuit.

Note:

* Currently our products can be used in these wafer fabrication steps.

During the Track Record Period, our turnkey solution and trading of SME and/or Parts mainly covered used 200mm and 300mm SME. The following table sets forth a breakdown of our Group's revenue by SME types during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Japanese SME brand:						
— 200mm	611,712	89.1	932,575	90.9	1,054,995	86.2
— 300mm	57,644	8.4	52,060	5.1	25,348	2.1
— Other sizes ⁽¹⁾	3,883	0.6	5,316	0.5	3,594	0.3
— Parts	<u>5,490</u>	<u>0.8</u>	<u>9,888</u>	<u>1.0</u>	<u>5,682</u>	<u>0.5</u>
Total revenue derived from the Japanese brand	<u>678,729</u>	<u>98.9</u>	<u>999,839</u>	<u>97.5</u>	<u>1,089,619</u>	<u>89.1</u>
Other brands:						
— 200mm	7,223	1.1	13,418	1.3	56,470	4.6
— Other sizes ⁽¹⁾	—	—	—	—	46,835	3.8
— Parts	<u>14</u>	<u>0.0</u>	<u>12,662</u>	<u>1.2</u>	<u>30,370</u>	<u>2.5</u>
Total revenue derived from other brands	<u>7,237</u>	<u>1.1</u>	<u>26,080</u>	<u>2.5</u>	<u>133,675</u>	<u>10.9</u>
Total revenue	<u>685,966</u>	<u>100</u>	<u>1,025,919</u>	<u>100</u>	<u>1,223,294</u>	<u>100</u>

Note:

⁽¹⁾ Other sizes include the SMEs for 125mm and 150mm

According to the Frost and Sullivan Report, we are able to establish ourselves in the used SME industry based on the followings:

- Despite the emergence of bigger wafers (such as 450mm) along with the development of smaller transistors (eg. 16mm, 14mm), 200mm and 300mm wafers are still the mainstream wafers that are widely used. This is because (i) bigger wafers are still under development; (ii) high cost for purchasing new models of semiconductor device for bigger wafers; and (iii) not

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every semiconductor device is required to run with the latest IC model. Therefore, it is expected that the production of 100mm, 150mm, 200mm and 300mm will continue while there will be increasing application of bigger wafers especially in the consumer electronics manufacturing to improve functionality, however not affecting the dominance of 200mm and 300mm wafers. In addition, IP designers would sign contractual agreement with semiconductor manufacturers regarding SME specifications. Any alterations would cause violations of the contract terms and affect quality control of the production lines. For details, please refer to the section headed “Industry Overview — Analysis of Trading of Used SME with Turnkey Solution Market in Taiwan — (b) Growing market opportunity for 200mm and 300mm foundries” in this prospectus.

- According to the Frost and Sullivan Report, the price index and price of the new and used SME of the Japanese brand is detailed as below:

Historical and forecasted price index of new and refurbished 200mm and 300mm SME of the Japanese brand⁽¹⁾

Item	Price Index ⁽¹⁾	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	CAGR	CAGR	
													2010-15	2015-20	
New	200mm	2010 = 100	100.0	105.8	113.8	110.6	107.4	106.0	110.4	110.6	110.8	111.0	111.2	1.2%	1.0%
New	300mm	2010 = 100	100.0	103.9	110.8	109.0	105.3	104.5	105.6	106.2	106.8	107.3	107.7	0.9%	0.6%
Refurbished	200mm	2010 = 100	100.0	102.2	103.6	110.9	117.8	121.5	133.4	141.0	148.3	155.1	161.1	4.0%	5.8%
Refurbished	300mm	2010 = 100	100.0	101.0	103.1	108.5	111.8	114.5	116.0	120.7	125.3	129.9	134.6	2.7%	3.3%

Historical and forecasted price of new and refurbished 200mm and 300mm SME of the Japanese brand

Item	Unit	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	CAGR	CAGR	
													2010-15	2015-20	
New	200mm	US\$ million	1.59	1.69	1.81	1.76	1.71	1.69	1.76	1.76	1.77	1.77	1.77	1.2%	1.0%
New	300mm	US\$ million	2.18	2.26	2.41	2.37	2.29	2.28	2.30	2.31	2.33	2.34	2.35	0.9%	0.6%
Refurbished	200mm	US\$ million	0.86	0.88	0.89	0.96	1.02	1.05	1.15	1.22	1.28	1.34	1.39	4.0%	5.8%
Refurbished	300mm	US\$ million	1.09	1.10	1.13	1.19	1.22	1.25	1.27	1.32	1.37	1.42	1.47	2.7%	3.3%

According to the Frost and Sullivan Report, the price of new SME of the Japanese brand is generally higher than that of used SME of the Japanese brand. However, the price of used SME have been rising more rapidly than that of new SME. In addition, the price of 200mm SME has been rising more rapidly than the price of 300mm SME, which was mainly attributed to the growing market demand towards 200mm SME. For instance, the CAGR of the price of used 200mm SME for the period 2010 to 2015 is 4.0% and is expected to increase to 5.8% for the period of 2015 to 2020, while the CAGR of the price of new 200mm SME is 1.2% and 1.0% for the corresponding periods. From 2010 to 2016, the price of refurbished SME of the Japanese brand is approximately 50% to 65% of a new SME of the Japanese brand, which is within the range of the industry norm of the SME solution market

Note:

⁽¹⁾ 2010 is used as the index year and the data indicates the percentage increase from the base value in 2010, which does not indicate the actual price and the base value are different between used SME and SME of different wafer size.

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of approximately 50%–80% of a brand new SME. In 2016, the prices of a refurbished 200mm and 300mm SME were approximately 65.3% and 55.2% of new 200mm and 300mm SME, respectively.

According to the Frost and Sullivan Report, for the forecast period from 2017–2020, the differential between refurbished and new SME prices will be narrowing where the price of refurbished SME would be up to approximately 78.5% and 62.6% of new 200mm and 300mm SME by 2020, respectively. However, the prices of refurbished SME will not significantly exceed 80% of new SME prices for the forecast period, due to the following reasons:

- (1) It is expected that there will be constant supply and demand of refurbished SME, therefore price will reach its equilibrium and will not exceed that of new SME.
- (2) It is commonly acknowledged that new SME still has its comparative advantages over refurbished SME given its longer life span and brand-new nature. Therefore, new SME are always priced higher than refurbished SME.
- (3) The increasing trend of the cost of refurbishing used SME is expected to peak as it reaches the aforementioned equilibrium while the profit margin of turnkey solution service providers is expected to remain similar to the historical period as the demand for refurbished SME is also growing at the same time.

According to the Frost and Sullivan Report, when it comes to procuring SME, semiconductor manufactures, depending on their technological requirements on their expanding production lines and their concerns of cost effectiveness, have two options: (1) to buy brand-new SME which is more expensive; and, (2) to buy refurbished SME from turnkey solution providers. As the rising operation cost has been adding financial burden on the semiconductor manufacturers, refurbished SME becomes a good alternative for the manufacturers as the cost of purchasing a refurbished SME is approximately 50% to 80% of a brand new SME. Therefore, it is expected, according to the Frost and Sullivan Report, and is concurred by our Directors that, more semiconductor manufacturers would prefer refurbished SME for better cost management in the semiconductor production.

During the Track Record Period, over 85% of our revenue is derived from the provision of turnkey solution on used 200mm SME. Our Directors are of the view that such sales concentration of our Group was mainly attributable to the purchase orders from global leading semiconductor manufacturers in response to the recent tremendous growth in the wearable device markets, where the use of wafer size of 200mm are more common than that of 300mm according to Frost and Sullivan report. Our Directors consider that our Group can also provide turnkey solution of 300mm SME in response to the growing demand of which in a timely manner based on the fact that: (i) the majority of our existing engineers are capable of providing turnkey solution of 300mm SME and we do not have to employ additional engineers to be able to provide turnkey solution of 300mm SME, (ii) our Group has demonstrated the ability to source 300mm used SME from our existing supplier network, and (iii) we have successfully derived revenue from the provision of turnkey solution of 300mm SME during the Track Record Period. The major cost associated with shifting the focus from providing turnkey solution of 200mm to 300mm SME of our Group is to build up inventory of used 300mm SME. Our Directors estimated that it would take about six months to build up 300mm SME inventory that is comparable with our existing level of inventory of 200mm SME.

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Given our reliance on one Japanese SME brand, our Directors are of the view that our Group's financial performance and business operation is sensitive to the availability of used SME of the Japanese brand in the market, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Operations — We may have concentration risks as our used SME are mainly refurbished from used SME under the brand of a leading Japanese manufacturer" in this prospectus. According to the Frost and Sullivan Report, it is estimated that there is approximately 1,900 units of SME under the Japanese brand in Taiwan, and approximately 8,900 units of SME or above of which in the world. It is expected that there will be a growth in the supply of 200mm and 300mm SME under the Japanese brand in the foreseeable future. Our Directors confirmed that our Group did not experience any material shortage of the supply of used 200mm and 300mm SME and Parts in fulfilling the purchase orders from our customers during the Track Record Period, and of the view that our Group will be able to maintain sustainable supply in the future based on the followings:

- (i) Our Group has a well-developed supplier network with over 1,100 suppliers on our approved supplier list for used SME and Parts, in which over 35 suppliers are capable to provide us with used SME. Our Directors confirmed that over 30 suppliers are capable to provide us with used SME under the Japanese brand. Our Directors are of the view that the existing supplier network possessed by our Group has secured a stable supply to our Group during the Track Record Period and will continue in the future based on our established business relationship and their abilities to source used SME and Parts globally. During the Track Record Period, our Group had also joined a global industry association, SEMI, which provides our Group with the access to further broaden our supplier network.
- (ii) According to the Frost and Sullivan Report, since 2002, the manufacturers, including the Japanese brand, had downsized the production of 200mm SME and shifted more production capacities to 300mm SME because of the rising standards for the hi-tech gadgets with the intention to advance the existing technology. However, the mismatch of market expectation on bigger size of wafers and the unexpectedly slow development pace and uncommon availability of wafers of 300mm and 450mm resulted in the re-allocation of resources to the production of 200mm wafers afterwards.

According to the Frost and Sullivan, despite the shortage between demand and supply of 200mm SME of the Japanese brand might continue due to the tremendous demand in the market driven by Internet of Thing (IoT) and the boost of wearable devices and mobile, where the growth in demand of which will be faster than the growth in supply, it is undoubted to state that there is and will be a constant supply of new 200mm SME manufactured by the Japanese brand in the market in the foreseeable future, representing a constant supply of used SME of which in the secondary market. According to Frost and Sullivan, with the optimistic view of the Japanese brand on the next couple of years of future development of IoT, the Japanese brand had committed to support in the market segment of 200mm SME manufacturing, and it is unlikely for it to shut down the production line of 200mm SME for the next 10 years given the strong future market demand of both 200mm and 300mm wafers.

Considering the continuous manufacturing of 200mm and 300mm SME by the Japanese brand and the expected growth in the overall supply of 200mm and 300mm SME (for details analysis of the overall supply of 200mm and 300mm SME, please refer to the section headed

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“Industry Overview — Analysis of Trading of Used SME with Turnkey Solution Market In Taiwan — (b) Growing Market Opportunity for 200mm and 300mm Foundries” in this prospectus), our Directors are of the view and Frost and Sullivan concurred that, that there will be a sufficient supply of used 200mm and 300mm SME under the Japanese brand to support the growth and operation of our Group in the foreseeable future.

If, for any reason, there is a material shortfall of the used 200mm and 300mm SME supply under the Japanese brand, our Directors considered that and Frost and Sullivan concurred that, our Group can provide turnkey solution of SME under other brands, based on the fact that (i) some of the major SME manufacturers were reportedly re-entering to the production of 200mm SME recently and has been manufacturing 300mm SME according to Frost and Sullivan Report; and, (ii) our capacities to handle turnkey solution and source used SME under other brands as discussed under the section head “Business — Reliance on one Japanese SME brand — Our flexible strategy in coping with the underlying risks associated with such reliance” in this prospectus.

According to Frost and Sullivan, 450mm wafer is still under development and the application of which has not rolled out in the industry, our Directors do not consider it is cost effective and profitable to allocate resources and manpower in handling 450mm SME at this stage given the scale of our Group and the significant transition, development and manufacturing cost. Our Group is not capable of providing turnkey solutions on 450mm SME at the moment. Should the technology becomes more mature and commonly apply in the future, our Group will then seek external trainings for our engineers and equip them with the knowledge in handling bigger wafers SME and prepare our Group with the capability to face the change in the market.

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Set out below are the major types of used SME and parts sold by our Group to our customers during the Track Record Period:

SME Type	Appearance	Vintage*	Applications	Refurbished SME from our Group	General price range	Average size of customer contracts	For the year ended 31 December					
							2014	2015	2016			
					NTD'000	NTD'000	Amount	% of revenue on turnkey solution	Amount	% of revenue on turnkey solution	Amount	% of revenue on turnkey solution
Diffusion furnace		Alpha-S8 1996-1999 Alpha-SSE 1998-2007	Thermal processing, which a thin film of silicon dioxide or silicon nitride is formed on the wafer surface. (i.e. part of step 1 of the semiconductor manufacturing process)	100mm-300mm	60-14,455	8,166	280,290	45	361,718	41	280,695	26
Clean Track		MK-8 1994-1999 ACT-8 1998-2007	Removes part of the photoresist layer light by clean tracking, thus leaving the circuit patterns on the wafer surface.	100mm-300mm	32-46,763	13,863	240,423	38	304,565	35	661,122	60
Others (i.e. scrubber and Parts)		—	—	—	0.1-24,500	192	108,451	17	214,816	24	152,405	14
				Total			629,164	100	881,099	100	1,094,222	100

* the year of origin or manufacture

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During the Track Record Period, our turnkey solution of used SME diffusion furnace and clean track in aggregate contributed a revenue of approximately NTD520.7 million, NTD666.3 million and NTD941.8 million, respectively, representing approximately 82.8%, 75.6% and 86.1% of our total revenue derived from our turnkey solution, respectively. Our product portfolio also includes scrubber, the cleaning SME to remove extraneous dust or particles on the wafer surface, and Parts.

The number of projects as at 31 December 2013, 2014, 2015, 2016 and the Latest Practicable Date is 251, 160, 207, 415 and 475, respectively. The contract sums as at 31 December 2013, 2014, 2015, 2016 and the Latest Practicable Date is approximately NTD215.3 million, NTD551.4 million, NTD608.4 million, NTD826.4 million and NTD831.1 million, respectively. The amount of revenue to be recognized in the year ending 31 December 2017 based on the backlog of projects on hand as at the Latest Practicable Date is approximately NTD831.1 million.

Reliance on one Japanese SME brand

The following table sets forth a breakdown of our Group's revenue by brands of SME during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	<i>NTD'000</i>	%	<i>NTD'000</i>	%	<i>NTD'000</i>	%
Japanese SME brand	678,729	98.9	999,839	97.5	1,089,619	89.1
Other SME brands	7,237	1.1	26,080	2.5	133,675	10.9
Total revenue	685,966	100	1,025,919	100	1,223,294	100

According to the Frost and Sullivan Report, the SME provider market is highly concentrated, with the top five largest players accounting for approximately 64.0% of total market share in terms of revenue in 2015 in the world. In addition, according to the Frost and Sullivan Report, in Taiwan, turnkey solution providers in Taiwan usually specialize in certain brand of SME and thus require specific knowledge on such brand to provide turnkey solution.

The used SME we sold was mainly refurbished from used SME under the brand of a leading Japanese manufacturer. During the Track Record Period, over 89% of our total revenue is derived based on the used SME of this brand.

Background of the Japanese manufacturer

The Japanese manufacturer is established in 1963. It is a company listed on the Tokyo Stock Exchange with capital investment of about JPY55 billion and 12,000 employees. The net sales of this Japanese manufacturer for the year ended 31 March 2015 and 2016 was approximately JPY613.1 billion and JPY663.9 billion, respectively, and its gross profit for the year ended 31 March 2015 and 2016 was approximately JPY242.8 billion and JPY267.2 billion, respectively. Over the years from 2010 to 2016, the company's net sales grew steadily, and based on the Japanese manufacturer's projection, it is believed that its net sales will continue to grow in 2017. The Japanese manufacturer has been one of the top five semiconductor manufacturers globally with approximately 11.7% SME's market share in terms of revenue in 2015 according to the Frost and Sullivan Report. Its major products include SME and flat panel display (FDP) production SME that is used to manufacture screens for personal computers, LCD TVs, and other electronic devices. The Japanese manufacturer has an extensive sales network in Japan and all over the world with 8 companies in Japan, and 30 companies in 15 countries and regions including the United States, Europe and Asia. In the fiscal year 2016, the company has received more than 20 awards and recognitions from its business partners and other organizations.

Our Directors believe that our reliance on such brand can be explained by the commercial rationales as follows:

- (i) *the whole industry landscape is dominated by a few major players making it unlikely for turnkey solution providers, such as our Group, to break off reliance on one of or a few of these major brands*

According to the Frost and Sullivan Report, the SME provider market is highly concentrated with top five players accounting for 64.0% of the total global market share in terms of revenue in 2015. In Taiwan, turnkey solution providers usually specialize in certain brand of SME and thus require specific knowledge on SME to acquire the business, despite OEMs are also providing turnkey solutions. As the Japanese SME brand ranked fourth in the global SME market regarding its market share based on revenue in 2015, our Directors are of the view that our business will be sustainable although we have reliance on one of the major brands.

- (ii) *our accumulated industry reputation and business network were derived from our capacities in the provision of turnkey solution involving the used SME under the Japanese SME brand*

According to the Frost and Sullivan Report, Japanese employees, owing to their work culture, tend to be loyal to the company they work for and hence occupational mobility is lower than other countries. The Japanese manufacturer also operates in-house pre-testing platforms carried out by self-built testing devices for better quality control and efficiency, which in the view of our Directors, further differentiated the Japanese brand from other brands. Our Group is benefited from this corporate culture of the brand as our senior engineers and senior management have been well-trained and have accumulated ample working experience in handling the used SME under this brand. Over the past six years, leveraging on our expertise and business network on refurbishing the used SME under this brand and the cost-effectiveness nature of the provision of turnkey solution on used SME, our Group has established a reputation and become a leading player in the provision of turnkey solution to used SME under this brand in Taiwan.

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For the underlying risks associated with such reliance, please refer to section headed “Risk Factors — Risks Relating to Our Business and Operations — We may have concentration risks as our used SME are mainly refurbished from used SME under the brand of a leading Japanese manufacturer” in this prospectus. Our Directors considered our Group is capable of maintaining its revenue in the future despite our reliance as a result of the following considerations:

- (i) *our operation is benefited from the sustainable business operation, strong market position and future prospect of the Japanese SME brand*

The Japanese brand has been a major semiconductor manufacturer globally with approximately 11.7% SME's market share in terms of revenue in 2015 according to the Frost and Sullivan Report. Over the period of 2010–2016, the company's net sales was growing steadily at a CAGR of 8% from approximately JPY418.6 billion to JPY663.9 billion. Based on the Japanese manufacturer's projection, it is believed that its net sales will experience a stable growth of about 8%, reaching JPY714 billion by the end of FY2017. Meanwhile, the Japanese manufacturer has been holding a strong market position in the SME market, being one of the top five market players globally. It is expected that the company will continue to remain in the top five. Its state-of-art research facility in Japan, Europe and the United States and its recent collaboration with leading university-research consortiums for semiconductor technologies enable the company to further develop into different business areas while enhancing current research and development efforts, for example developing technologies for bigger wafers to adapt to the market trend in the consumer electronics market. According to the Frost and Sullivan Report, it is expected that SME of the Japanese manufacturer will remain competitive due to its strong presence and established position in the global market. In addition, it has gained a strong base of customers throughout the years of operations. With a high switching cost of chosen SME brand and to ensure consistent quality of output, it is also unlikely for existing customers to switch the production facilities including SME to other brands. As such, there is a minimum risk of adverse changes or decline materially in the near future for SME of the Japanese brand.

- (ii) *our stable customer base was the results of high switching cost to other SME brands and high acquisition cost of new SME from the Japanese SME brand*

Some of our customers (mainly being semiconductor product manufacturers) have been using or intended to use the SME under the Japanese brand in their production lines and therefore demanding us to provide turnkey solution of the used SME under this brand, mainly by reasons of (i) their expansion plan on their production lines that requires additional SME and Parts; and (ii) day-to-day repair, upgrade and maintenance on existing production lines. According to the Frost and Sullivan Report, in general, the used SME and Parts of different brands are not replaceable with each other, and hence, the customers may have to change or modify their production line in the event that they switch from a chosen SME brand. The cost for switching from a chosen brand is high, and it is uncommon given that the customers are already deploying functionally suitable brand because (i) it is costly to acquire another brand of SME, whereas disposal value of the existing brand may be even discounted for quick sell or it is forgone directly if the salvage value is low, and (ii) usually, there are more than one production plant involved in the entire manufacturing process. It is not possible to only replace certain part of the plants instead of recruiting whole set of new brand for most of the cases, concerning the system compatibility, not mentioning those with substantial scale of production facilities and having complicatedly design of production system. In

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addition, it takes time and effort for the customers to train their employees and build up business relationship with other turnkey solution providers, resulting in a stable customer base of each brand of SME. Also, the higher acquisition cost of a brand new SME directly from the SME manufacturers as compared to the acquisition of used SME and turnkey solution attributed to the business potential and profitability to turnkey solution providers of used SME and Parts such as our Group. The acquisition cost of a brand new SME, used SME and the turnkey solution product varies with different models of SME. According to the Frost and Sullivan Report, the acquisition cost of used SME in general is approximately 50% or less than a brand new SME and the used SME with turnkey solution cost varies across a range from 50% to 80% of brand new SME with turnkey solution.

Our flexible strategy in coping with the underlying risks associated with such reliance

Our Directors believe that our Group has the ability to replicate our business under other brands through our business relationship with our customers and suppliers. Our Directors are of the view that our success is attributed to our reputation, experience and network in the industry. Alongside with strengthening our capacities and reputation in handling used SME of the Japanese brand, we have, from time to time, explore business opportunities to handle used SME under other brands. Although our Group has been accustomed to refurbish used SME under the Japanese brand, our Directors considered that our Group also maintain a flexible strategy to cope with future changes in customer demand and market condition by ensuring our Group has possessed the network and experience in sourcing and handling the used SME and the provision of turnkey solution under other brands as alternatives. Our Directors are of the view that, if, for any reason our Group has to source a vast majority of products from other brands, we would be able to replicate our business model with the following reasons:

(i) Existing supplier network

Our Directors confirmed that among the suppliers on our approved list, some of those suppliers, including Supplier A, who is one of our top five suppliers for each of the three years ended 31 December 2016, are able to provide us with used SME under other brands. In addition, Supplier D, who is one of our top five supplier for the year ended 31 December 2015 and is listed on KRX, has global sourcing network and possess inventory of used SME under more than 20 brands. Our Directors are of the view that with the established relationship with the suppliers who can provided used SME under other brands during the Track Record Period, our Group is able to secure stable supply with comparable historical purchase volume. According to the Frost and Sullivan Report, since our Group's suppliers, including overseas dealers, usually involves in trading and provision of multiple brands, it is expected that our Group would be able to source a comparable historical purchase volume of used SME under other brands. During the Track Record Period, our Group had joined a global industry association, SEMI. Our Directors are of the view that such association not only provides access to further broaden our supplier network, but also connections with suppliers of used SME under other brands.

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(ii) Our success is attributed to our reputation, experience and network

According to the Frost and Sullivan Report, the leading semiconductor manufacturers in the world are inclined to source from suppliers with larger company sizes, advanced working facilities, longer business relationship and wider range of product portfolio. Our Directors confirmed that our Customer A and Customer B are also in need of turnkey solution of used SME under other brands. Compared with other turnkey solution providers with smaller company sizes, our Group are more capable to enrich our product portfolio and meet the requirements of our major customers in consideration of working capital requirement and experience in dealing with leading semiconductor manufacturers. Considering our reputation in the industry, our experience in providing turnkey solutions and our supplier network, our Directors believe that we are able to find and develop relationship with our potential customers.

(iii) Continuously identifying potential brands

During the Track Record Period, despite our Group derived over 89% of its revenue from the sales of used SME of the Japanese brand, our Group has also provided turnkey solution of used SME under other brands. Among those brands, we provided to one of our top five largest customers for the year ended 31 December 2016 with turnkey solution under a Netherlands SME brand which ranked third in the global SME market in 2015 according to the Frost and Sullivan Report. Our sales to which has attained gross profit margin of approximately 20.0%. Our Directors are of the view that our gross profit margins derived from the provision of turnkey solutions under the Japanese brand and other brands are similar.

(iv) Similar level of costs of sales

Our Directors confirmed that there is no immediate need to purchase any material additional auxiliary machines or install additional working facilities to provide turnkey solution under other brands. The major costs associated with the provision of turnkey solution under other brands will be (i) the purchasing cost of the used SME under other brands, (ii) the staff cost of additional engineers who are capable of handling the SME under other brands, and (iii) the training cost of our engineers to learn the specifications of the SME under other brands. During the Track Record Period, we have derived revenue from the provision of turnkey solution under other brands and we have recorded similar purchasing cost of used SME as the Japanese brand. In addition, we would source the used SME under other brands from the existing suppliers on our approved list and we expect that the purchasing cost of the used SME under other brands would be similar to the purchasing cost of the used SME under the Japanese brand.

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During the Track Record Period, some of our existing staff are already capable in handling used SME under other brands and we have derived revenue from the provision of turnkey solution under other brands. To further strengthen our capacity of turnkey solution under other brands and equip our engineers with the adequate knowledge and skills to handle used SME under other brands, our Group will need to (i) hire senior engineers who have experience on providing turnkey solution under other brands, (ii) provide internal training led by our senior engineers who have experience in providing turnkey solution under other brands, and (iii) hire external consultants who can enrich the skills and knowledge of our engineers in handling used SME under other brands. Our Directors believe that it would take about three months for our Group to strengthen our capacity of providing turnkey solution under other brands. Our Directors believe that we do not need to employ many additional engineers to be able to provide turnkey solution under other brands. Our Directors believe that the associated major operating costs of our turnkey solution are expected to be of similar level to that of the Japanese brand.

If, for any reason, our Group has to provide a larger majority of turnkey solution of used SME under other brands, our Directors consider that the estimated lead time from hiring and training engineers, purchasing the relevant SME under other brands to providing turnkey solution of SME under other brands is about three months. Base on the facts that (i) our Group has demonstrated the ability to source used SME of other brands from our existing supplier network at a competitive price, (ii) our existing major customers, including Customer A and Customer B, demonstrated that they are also in need of turnkey solution of used SME under other brands, (iii) we have experience in handling used SME under other brands, and (iv) we have derived revenue from the provision of turnkey solution under other brands with similar gross profit margin during the Track Record Period, our Directors believe that our Group can capture comparable profit margin in the case that our Group has to provide a larger majority of turnkey solution of used SME under other brands. However, such transition is still subject to the availability of engineers who are familiar with the technology of used SME under other brands and the demand of turnkey solution under other brands in the market. For the associated risks in developing our business under other brands, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Operations — We are facing associated risks to provide turnkey solutions under other brands, which could affect our business and profitability” in this prospectus.

Our Directors are of the view that our Group would continue to allocate the majority of our resources in providing turnkey solution under the Japanese brand, based on the fact that (i) turnkey solution providers in Taiwan usually specialize in certain brands of SME and provide related turnkey solution according to the Frost and Sullivan Report; (ii) our Group has been benefiting from the sustainable business operation, strong market position and future prospect of the Japanese brand and maintaining positive gross profit margin by providing turnkey solution of used SME under the Japanese brand during the Track Record Period; and (iii) our accumulated industry reputation and business network derived from our capacities in the provision of turnkey solution involving the used SME under the Japanese SME brand, resulting in a stable customer base. Alongside with strengthening our capacities and reputation in handling used SME of the Japanese brand, we have also explored business opportunities to handle used SME under other brands. During the Track Record Period, the portion of our revenue derived from other SME brands increased from approximately 1.1% to 2.5% of our overall revenue for the two years ended 31 December 2015 and further increased to 10.9% for the year ended 31 December 2016. Going forward, upon the implementation of our business strategies as detailed under the section headed “Business — Business Strategies — Building an extra floor on our existing headquarter” in this prospectus, we will continue to expand our product spectrum of turnkey solution alongside with

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the growth in our capacities in handling used SME of both the Japanese brand as well as other brands. Our revenue contribution derived from which will be subjected to our customers' needs and the market demand for turnkey solution under the Japanese brand and other brands.

CUSTOMERS, SALES AND MARKETING

Customer base

Our customer base primarily consists of semiconductor product manufacturers, mainly including IC manufacturers that provide wafer fabrication services. Our top five customers during the Track Record Period included, among others, Customer B, a company listed on the NYSE and the Stock Exchange and Customer A, a company listed on the TWSE and the NYSE, both of which are leading semiconductor manufacturers in the world.

Assuming that our customers perform regular inspections and maintenance, we believe a SME can be more durable and last longer than its useful life for accountancy purpose. Based on the Frost and Sullivan Report, the useful life of a SME is subject to a number of factors including the model of SME, frequency of inspection and preventive maintenance etc., where a majority of which can reach up to 15 years or above. As such, turnkey solution is considered to be crucial to maintain the functional stability of SMEs and extend their useful life. It is unlikely for our customers to make recurring significant purchases for SME until they plan for production expansion or upgrade of their production facilities. As a provider of turnkey solution of used SME, the demand of our solution is dependent on the demand of the products in the downstream semiconductor industries. As our customers use our turnkey solution of used SME and Parts to manufacture semiconductor products, the key drivers for these industries would likewise have an impact on the demand of our products. We believe those key drivers include the growth of the world economy and technological advancements.

As Taiwan and the PRC are the global leading markets for semiconductor manufacturing, a majority of our revenue was derived from Taiwan and the PRC. The semiconductor market of which is expected to maintain a growing trend according to the Frost and Sullivan Report, which would support our Group's financial performance in terms of the growth of revenue of our Group. Our Directors believe that our customers would continue to purchase additional turnkey solutions from us to increase their production capacity and upgrade their production facility from time to time.

We provide turnkey solution and/or trade used SME and Parts to our customers who are mainly (i) semiconductor manufacturers; (ii) overseas turnkey solution providers and (iii) SME and/or Parts trading companies.

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Semiconductor manufacturers

Our overall sales are mainly driven by our sales to semiconductor manufacturers across the world that need to alter and upgrade their production system from time to time. In general, our semiconductor manufacturer customers required our turnkey solution for production line expansion and to repair, upgrade and maintenance on their existing SME.

Overseas turnkey solution providers

We had maintained customer and supplier relationship with a list of our approved overseas turnkey solution providers who are mainly located in South Korea. While the nature of business of these approved overseas turnkey solution providers is very similar to that of our Group, our Directors were of the view that these approved overseas turnkey solution providers (i) are of smaller scales as compared to our Group (ii) have different targeted customers; and (iii) do not possess the capacities to compete with our Group in handling turnkey solution requests from our major customers, which are mainly leading global foundries.

During the Track Record Period, we may purchase certain models of used SME and Parts from other turnkey solution providers to satisfy our purchase orders received from our customers when we have limited capacity to complete all of the purchase orders we received.

Due to the limited number of used SME and Parts available in the market, turnkey solution providers, including our Group, of good relationship with suppliers of used SME and Parts are more advantageous in maintaining the channels of raw material supply. Similar to the abovementioned South Korea turnkey solution providers, our Group also participated in the trading of used SME and Parts we acquired in the secondary market and/or from our SME manufacturer customers upon our regular assessment of our inventory on hand and pricing policy, the details of which were explained in the section headed “Business — Customers, Sales and Marketing — Pricing policy” in this prospectus.

During the Track Record Period, our Group had recorded loss or low gross margins from a few transactions derived from the trading of certain models of our used SME at selling prices approximated to our acquisition cost with these overseas turnkey solution providers, after taking into consideration of the other components of cost of sales, including the relevant transportation cost, storage cost and exchange loss incurred upon the acquisition of the SME. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Operations — We may be unable to maintain a positive gross profit margin from the trading of used SME and Parts with other turnkey solution providers” in this prospectus. During the Track Record Period, our revenue derived from these overseas turnkey solution providers accounted for approximately NTD21.7 million, NTD56.3 million and NTD35.0 million, representing approximately 3.2%, 5.5% and 2.9% of our overall revenue, respectively, from which we derived negative or relatively low gross profit margin of approximately -15.9%, -4.9% and 3.9% for the respective periods. According to the Frost and Sullivan Report, in the case that the model of used SME does not have a strong demand in the market or the demand of the model of used SME is expected to decline, it is not uncommon for the turnkey solution providers to sell the used SME at around the acquisition cost in order to breakeven or cut loss. Our Director regarded our practise of trading of SME and Parts with these overseas turnkey solution providers at the price approximated to our acquisition cost (generally, 50% or lower of the original price of a brand new SME, according to the Frost and Sullivan Report) without transferring the other components of cost of sales to them will encourage other turnkey solution providers to trade their excess SME to us. For details, please refer to

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the section headed “Business — Customers, Sales and Marketing — Pricing policy” in this prospectus. Also, given the significant value per used SME purchased, our Directors believed that the significance of the trading of our excess used SME and Parts business lies on being the platform for our Group (i) to maintain customer and supplier relationship and network in the market; (ii) to release working capital to acquire other used SME with potential for higher profitability upon the provision of turnkey solution in the future.

While we might occasionally sell certain models of our used SME to other turnkey solution providers at loss or relatively lower gross profit margin during the Track Record Period, we have been able to source a substantial amount of other specified models of used SME from them for the provision of our turnkey solution to our SME manufacturer customers including Customer A and Customer B, where a significantly higher gross profit margin is derived. During the Track Record Period, our Group recorded negative and relatively low gross profit margins from the sales of used SME and Parts to two of our major other turnkey solution providers, namely Customer D and Customer H. For detail analysis of the transactions and the relevant amount, please refer to the section headed “Business — Customers, Sales and Marketing — Overlapping of major customers and suppliers” in this prospectus. Our Directors regarded the negative and low profit margin resulting from our sales to other turnkey solution providers as part of the operating expense and associated inventory risk borne by our Group in the course of our business operation. Alongside with such practice in our business operation, our Group has demonstrated that we were able to maintain an overall positive gross profit margin during the Track Record Period.

SME and/or Parts trading companies

We maintained customer and supplier relationship with SME and/or Parts trading companies who specialised in the trading of SME with various turnkey solution providers and semiconductor manufacturers worldwide via their distribution network.

Major customers

Based on the Frost and Sullivan Report, the demand for turnkey solution of used SME and Parts is expected to increase as (i) there is strong growth for semiconductor in the segment of consumer goods; (ii) due to high cost of larger wafer processing SME, there are still strong demand for wafer processing SME for smaller wafer size such as 200mm diameter, especially for users in the PRC; and (iii) to cope with the tighter production requirement and schedule from customers, semiconductor manufacturers are expected to carry out a more frequent refurbishment and modification on current SME. Accordingly, we expect a steady growth in demand for our products.

During the Track Record Period, our aggregate sales revenue from our five largest customers, who were Independent Third Parties, represented approximately NTD474.1 million, NTD825.5 million and NTD1,001.4 million of our total sales revenues, respectively, accounting for approximately 69.1%, 80.5% and 81.9% of our total revenue, respectively. During the Track Record Period, the total revenue attributable to our largest customer amounted to approximately NTD176.9 million, NTD503.2 million and NTD494.9 million, respectively, representing approximately 25.8%, 49.0% and 40.5% of our total revenue, respectively.

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The following tables set forth certain information in relation to our top five customers during the Track Record Period:

Top five customers for the year ended 31 December 2014	Principal business	Head office	Types of products purchased	Relationship since	Approximate total revenue <i>NTD'000</i>	Approximate percentage of our total revenue
Customer B <i>(Note 2)</i>	Listed company on the NYSE and the Stock Exchange which provides technology services and wafer fabrication of 200 mm and 300 mm wafers. One of the leading semiconductor manufacturers in the world.	PRC	Turnkey solution (furnace and clean track) and Parts	March 2013	176,888	25.8%
Customer A <i>(Note 1)</i>	Listed company on the TWSE and the NYSE which provides wafer fabrication technology services. One of the leading semiconductor manufacturers in the world.	Taiwan	Turnkey solution (furnace and clean track) and Parts	January 2010	102,657	15.0%
Customer E <i>(Note 5)</i>	Listed company on the TWSE which provides wafer fabrication services.	Taiwan	Turnkey solution (furnace) and Parts	January 2010	100,115	14.6%
Customer I <i>(Note 9)</i>	Private limited company which provides wafer fabrication and semiconductor manufacturing services.	Singapore	Turnkey solution (clean track and furnace) and Parts	September 2010	56,590	8.2%
Customer J <i>(Note 10)</i>	Listed company on the NASDAQ which provides technology and semiconductor manufacturing services.	United States	Turnkey solution (furnace) and Parts	July 2014	37,850	5.5%

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Top five customers for the year ended 31 December 2015	Principal business	Head office	Types of products purchased	Relationship since	Approximate total revenue <i>NTD'000</i>	Approximate percentage of our total revenue
Customer A <i>(Note 1)</i>	Listed company on the TWSE and the NYSE which provides wafer fabrication and technology services. One of the leading semiconductor manufacturers in the world.	Taiwan	Turnkey solution (furnace and clean track) and Parts	January 2010	503,174	49.0%
Customer B <i>(Note 2)</i>	Listed company on the NYSE and the Stock Exchange which provides technology services and wafer fabrication of 200 mm and 300 mm wafers. One of the leading semiconductor manufacturers in the world.	PRC	Turnkey solution (furnace and clean track) and Parts	March 2013	146,902	14.3%
Customer C <i>(Note 3)</i>	A subsidiary of a company listed on TWSE and NYSE which provides wafer fabrication and technology services.	PRC	Turnkey solution (clean track) and Parts	September 2010	81,715	8.1%
Customer D <i>(Note 4)</i>	Private limited company which engages in the trading of used SME and providing turnkey solution.	South Korea	Used SME and Parts	June 2013	47,616	4.6%
Customer E <i>(Note 5)</i>	Listed company on the TWSE which provides wafer fabrication services.	Taiwan	Turnkey solution (furnace) and Parts	January 2010	46,082	4.5%

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Top five customers for the year ended 31 December 2016	Principal business	Head office	Types of products purchased	Relationship since	Approximate total revenue NTD'000	Approximate percentage of our total revenue
Customer B (<i>Note 2</i>)	Listed company on the NYSE and the Stock Exchange which provides technology services and wafer fabrication of 200 mm and 300 mm wafers. One of the leading semiconductor manufacturers in the world.	PRC	Turnkey solution (furnace and clean track) and Parts	March 2013	494,913	40.5%
Customer A (<i>Note 1</i>)	Listed company on the TWSE and the NYSE which provides wafer fabrication and technology services. One of the leading semiconductor manufacturers in the world.	Taiwan	Turnkey solution (furnace and clean track) and Parts	January 2010	325,555	26.6%
Customer F (<i>Note 6</i>)	A subsidiary of a company, which was listed on the TPEX, provides wafer fabrication and semiconductor manufacturing services.	Taiwan	Turnkey solution (furnace and clean track) and Parts	March 2010	77,722	6.4%
Customer G (<i>Note 7</i>)	A subsidiary of a company listed on the TWSE which provides wafer fabrication and technology services.	Taiwan	Turnkey solution (furnace and clean track and Parts)	December 2009	68,262	5.6%
Customer H (<i>Note 8</i>)	Private limited company which engages in the trading of used SME and providing turnkey solution.	South Korea	Used SME and Parts	October 2010	34,904	2.9%

Notes:

- Customer A is one of the leading semiconductor manufacturers in the foundry segment of the global semiconductor industry. According to its annual report, (i) the revenue of Customer A for the two years ended 31 December 2015 were approximately NTD762.8 billion and NTD843.5 billion, respectively, (ii) it provides services in the United States, Europe, Japan, China, South Korea and India with more than 45,000 employees worldwide at the end of 2015, and (iii) its estimated market share was 55%. We have also established business relationship with a subsidiary of Customer A, Customer A1. We started our business relationship with Customer A since January 2010 and started our business relationship with Customer A1 since August 2010.

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2. Customer B is one of the leading semiconductor manufacturers in the world. According to its annual report, (i) as of 31 December 2015, it has foundries located in Shanghai, Beijing, Shenzhen and Tianjin and office located in the United States, Italy, Japan, Taiwan and Hong Kong with more than 13,000 employees worldwide, and (ii) the revenue of Customer B for the two years ended 31 December 2015 were approximately NTD61.8 billion and NTD70.2 billion, respectively. We have established business relationship with three subsidiaries of Customer B, Customer B1, Customer B2, Customer B3. We started our business relationship with Customer B1 since March 2013, started our business relationship with Customer B2 since May 2014, and started our business relationship with Customer B3 since September 2013.
3. Customer C is (i) a foreign-capital enterprise incorporated in 2001, and (ii) the registered capital of this customer is about NTD11.9 billion according to the information provided by an independent search agent. The revenue of its holding company for the two years ended 31 December 2015 were approximately NTD140.0 billion and NTD144.8 billion, respectively.
4. Customer D, a turnkey solution provider located in South Korea, is also one of our top five largest suppliers during the Track Record Period, which is designated as Supplier A in this prospectus. Customer D was (i) incorporated in 1992 with capital of about NTD42.0 million.
5. Customer E was incorporated in 1994 with more than 3,800 employees at the end of 2015 according to the information provided by an independent search agent. According to its annual report, (i) it is one of the top 10 worldwide semiconductor manufacturers by revenue in 2015, and (ii) it has derived revenue from Taiwan, Singapore, China, the United States, Japan, Austria, Philippines, Switzerland, South Korea and other countries, and (iii) its revenue for the two years ended 31 December 2015 were approximately NTD23.9 billion and NTD23.3 billion, respectively.
6. Customer F is established in 2008 with about 1,500 employees according to the information provided by an independent search agent. According to the annual report of its holding company, (i) the revenue of its holding company for the two years ended 31 December 2015 were approximately NTD40.1 billion and NTD41.1 billion, respectively, and (ii) its holding company is the one of the top 10 worldwide semiconductor manufacturers by revenue in 2015.
7. Customer G was (i) incorporated in 1985, and (ii) the capital of this customer is NTD6.0 billion according to the information provided by an independent search agent. It has around 900 employees. The revenue of its holding company of Customer G for the three months ended 31 December 2014 and the year ended 31 December 2015 were approximately NTD749.9 million and NTD3.2 billion, respectively, according to the annual report of its holding company.
8. Customer H, a turnkey solution provider located in South Korea, is also one of our top five largest suppliers during the Track Record Period, which is designated as Supplier A in this prospectus. Customer H was (i) established in 2004 with about 20 employees, (ii) the registered capital of this customer is about NTD20.0 million.
9. Customer I is a joint venture established by an independent third party and our customer A. Customer I was incorporated in 1998 according to the information provided by an independent search agent.
10. Customer J was incorporated in 2000 with more than 20,000 employees according to the information provided by an independent search agent. According to its annual report, (i) Customer J has manufacturing facilities, sales offices and design centers in the United States, Europe, and the Asia Pacific regions and (ii) the revenue of Customer J for the two years ended 31 December 2015 were approximately NTD99.3 billion and NTD109.7 billion, respectively.
11. Certain information and statistics of the top five customers during the Track Record Period were extracted from their annual reports or the information provided by an independent search agent. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

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Over the Track Record Period, there is no material bad debt incurred by our top five customers with our Group. Our Directors are of the view that all the top five customers during the Track Record Period possess adequate financial strength in meeting commercial commitments, and there is no material credit risk that should be brought into our attention from our major customers based on: (i) our internal credit records and established business relationships with these customers (ii) their background and financial information according to the limited publicly available information, and (iii) the company search reports of our top five customers conducted by independent search agents.

During the Track Record Period, our revenue generated from our Customer B and Customer A was approximately NTD279.5 million, NTD650.1 million and NTD820.5 million, respectively, accounting for approximately 40.8%, 63.3% and 67.1% of our total revenue, respectively. According to the Frost and Sullivan Report, the high market concentration of the semiconductor manufacturing industry demonstrates that our customer base is relatively concentrated to several largest semiconductor manufacturers which dominate more than 50% of the market share in the semiconductor manufacturing industry. As a result, given the market landscape, potential customer base of the SME providers is limited.

To the best knowledge of our Directors, none of our Directors or chief executives or their respective close associates or any Shareholder who owned more than 5% of the issued Shares immediately after completion of the Share Offer had any interest in any of our top five customers during the Track Record Period.

Our Directors confirmed that our Group has not experienced any material default by the customers on the terms of sales contracts or order cancellation to a material extent during the Track Record Period.

Overlapping of major customers and suppliers

During the Track Record Period, our Group obtained used SME and Parts mainly through the following channels, including: (i) SME and Parts disposed of by semiconductor manufacturers; (ii) other overseas turnkey solution providers; and, (iii) overseas distributors. In other words, some of our major customers of our turnkey solution of used SME and Parts and trading of SME and Parts businesses were also our suppliers of used SME and Parts during the same period. Given the scarcity of some models of used SME in the market, turnkey solution providers like our Group would try to source used SME and Parts from different channels including which we sold our inventory to. Our Directors are of the view that our Group can be benefited from this customer-supplier relationship with our major customers and suppliers where we can make use of our business relationship to maintain and secure a stable global sourcing network.

During the Track Record Period, we generated revenue from the provision of turnkey solution and trading of used SME and Parts businesses with Customer B, Customer D, Customer H, Supplier B and Supplier G while each of them was also our supplier of used SME and Parts. During the Track Record Period, our revenue generated from these overlapping customers and suppliers was approximately NTD194.2 million, NTD213.1 million and NTD555.3 million, respectively, representing approximately 28.3%, 20.8% and 45.4% of our total revenue, respectively; our purchase from these overlapping customers and suppliers was approximately NTD288.2 million, NTD494.4 million and NTD335.3 million, respectively, representing approximately 52.2%, 44.7% and 54.6% of our total purchase, respectively.

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Customer B was one of our five largest customers and one of our suppliers during the Track Record Period. As a global leading semiconductor manufacturer, Customer B may from time to time purchase a large number of used SME in the market according to their production demand at a relatively competitive price in the expansion of their production capacities, while Customer B may not be able to utilise all the used SME purchased. In such case, they might sell the excess number of used SME to the market. We then purchase the used SME from Customer B for our turnkey solution of used SME and Parts. Our Directors confirmed that none of our used SME in the turnkey solution provided to Customer B is the same as the used SME we purchased from Customer B.

Our revenue derived from Customer B for each of the three years ended 31 December 2016 amounted to approximately NTD176.9 million, NTD146.9 million, and NTD494.9 million, respectively, representing approximately 25.8%, 14.3% and 40.5% of our total turnover, respectively. During the Track Record Period, Customer B sold used SME to us. For the three years ended 31 December 2016, our purchase from Customer B amounted to approximately NTD14.3 million, NTD2.8 million and NTD19.9 million, respectively, representing approximately 2.6%, 0.3% and 3.2% of our total purchases, respectively. The terms of our turnkey solution provided to Customer B were similar to those we made with other customers. The average gross profit margin for our turnkey solution provided to Customer B was approximately 20.4%, 27.3% and 18.5% for the three years ended 31 December 2016, respectively. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping customer other than the profit derived from the arm's length transaction with the overlapping customer as disclosed above.

During the Track Record Period, Customer D was one of our top five largest customers for the year ended 31 December 2015 and one of our top five largest suppliers for the three years ended 31 December 2016. Customer D is substantially our supplier and accounted for less than 5% of our revenue during the Track Record Period. To the best knowledge of our Directors, Customer D engages in the provision of turnkey solution, which was of similar business nature as our Group while its targeted customers are of different scale and in different countries or regions from our Group. As Customer D and our Group are active market players for turnkey solution business, during the Track Record Period we at times sourced from Customer D and Customer D also sourced from us, for used SME and Parts.

Our revenue derived from Customer D for the three years ended 31 December 2016 amounted to approximately NTD12.9 million, NTD47.6 million and NTD64,000, respectively, representing approximately 1.9%, 4.6% and less than 1% of our total revenue, respectively. During the Track Record Period, Customer D sold used SME to us. For the three years ended 31 December 2016, our purchase from Customer D amounted to approximately NTD67.3 million, NTD362.4 million and NTD146.2 million, respectively, representing approximately 12.2%, 32.8% and 23.8% of our total purchase, respectively. The terms of sales of used SME and Parts we provided to Customer D were similar to those we provided to other customers. The average gross (loss)/profit margin for our used SME and Parts provided to Customer D was approximately -39.2%, -9.6% and 24.7% for the three years ended 31 December 2016, respectively. There were two sale and purchase transactions with Customer D involved the sale of used SMEs with the same model number. In December 2014, our Group sold two used SMEs (both of which transactions involved the trading of core tool components of the used SMEs that requires certain missing components and further refurbishments to function normally) to Customer D, being a Korean turnkey solution provider. However, during the year ended 31 December 2015, the Group received two RFQs from Customer A for refurbished SMEs that were of same models as the two used SMEs we sold to Customer D previously. Acknowledging that Customer D possessed the models that we

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needed in fulfilling the requirements from Customer A, we had sent our RFQs of the two refurbished SME to Customer D. Customer D agreed to sell the two used SMEs (the aforementioned core tools components) together with the provision of certain missing components (including the main controllers and some other major components etc.), so that they can also make certain profit from selling a partially refurbished SME to us. Upon purchasing such add-up components together with the core tools of the used SME, we sourced the specified models from Customer D and can further complete the provision of turnkey solution in response to the purchase orders from Customer A. Our Directors are of the view that despite involving the same core tools of the used SMEs in the two sale and purchase transactions with Customer D during the Track Record Period, the used SMEs purchased from Customer D were considered refurbished SMEs, where the specifications and sales value were substantially different. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping customer other than the profit and loss derived from the arm's length transaction with the overlapping customer as disclosed above. For details of our business with Customer D, please refer to the section headed "Business — Customers, Sales and Marketing — Overseas turnkey solution providers" in this prospectus.

During the Track Record Period, Customer H was one of our top five largest customers for the year ended 31 December 2016 and one of our top five largest suppliers for the year ended 31 December 2014 and 2016. In view of our Directors, Customer H is substantially our supplier and only accounted for less than 5% of our revenue during Track Record Period. To the best knowledge of our Directors, Customer H engages in the provision of turnkey solution, which was of similar business nature as our Group while its targeting customers are of different scale and in different countries or regions from our Group. As Customer H and our Group are active market players of turnkey solution business, during the Track Record Period, we at times sourced from Customer H and Customer H also sourced from us, for used SME and Parts. Our Directors confirmed that none of our used SME in the turnkey solution provided to Customer H is the same as the used SME we purchased from Customer H.

Our revenue derived from Customer H for the three years ended 31 December 2016 amounted to approximately NTD0.6 million, NTD8.6 million, and NTD34.9 million, respectively, representing approximately 0.1%, 0.8% and 2.9% of total revenue, respectively. For the three years ended 31 December 2016, our purchase from Customer H amounted to approximately NTD107.1 million, NTD18.5 million and NTD109.0 million, respectively, representing approximately 19.4%, 1.7% and 17.7% of our total purchases, respectively. The terms of sales of used SME and Parts we provided to Customer H were similar to those we provided to other customers. The average gross profit margin for our used SME and Parts provided to Customer H was approximately 14.8%, 21.3% and 3.7% for the three years ended 31 December 2016, respectively. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping customer other than the profit derived from the arm's length transaction with the overlapping customer as disclosed above. For details of our business with Customer H, please refer to the section headed "Business — Customers, Sales and Marketing — Overseas turnkey solution providers" in this prospectus.

Our Directors confirmed that although Customer D also provides turnkey solution and maintains the similar business model as our Group, Customer D is of smaller scales with different targeted customers without the capacities to compete with our Group to handle turnkey solution request from our major customers. For details of our business with Customer D, please refer to the section headed "Business — Customers, Sales and Marketing — Overseas turnkey solution providers" in this prospectus. Furthermore, our major customers, Customer A and Customer B, which are leading

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semiconductor manufacturers in the world, have strict requirements on selecting their suppliers, such as the proven track record, company size of their suppliers and the years of business relationship with their suppliers. We had more than six years of business relationship with Customer A and more than three years of business relationship with Customer B.

During the Track Record Period, Supplier B was one of our top five largest suppliers for the three years ended 31 December 2016 and one of our customers for the three years ended 31 December 2016. In view of our Directors, Supplier B is substantially our supplier and only accounted for less than 5% of our revenue during Track Record Period. To the best knowledge of our Directors, Supplier B engages in the trading of used SME. During the Track Record Period, we at times sourced from Supplier B and Supplier B also sourced from us, for used SME and Parts. Our Directors confirmed that none of our used SME in the turnkey solution provided to Supplier B is the same as the used SME we purchased from Supplier B.

Our revenue derived from Supplier B for the three years ended 31 December 2016 amounted to approximately NTD3.8 million, NTD9.9 million, and NTD2.7 million, respectively, representing approximately 0.6%, 1.0% and 0.2% of total revenue, respectively. For the three years ended 31 December 2016, our purchase from Supplier B amounted to approximately NTD99.5 million, NTD79.0 million and NTD24.0 million, respectively, representing approximately 18.0%, 7.1% and 3.9% of our total purchases, respectively. The terms of sales of used SME and Parts we provided to Supplier B were similar to those we provided to other customers. The average gross profit margin for our used SME and Parts provided to Supplier B was approximately 34.0%, 31.9% and 30.2% for the three years ended 31 December 2016, respectively. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping supplier other than the profit derived from the arm's length transaction with the overlapping supplier as disclosed above.

During the Track Record Period, Supplier G was one of our top five largest supplier for the year ended 31 December 2016 and one of our customers for the year ended 31 December 2016. In view of our Directors, Supplier G is substantially our supplier and only accounted for less than 5% of our revenue during Track Record Period. To the best knowledge of our Directors, Supplier G engages in the trading of used SME. During the Track Record Period, we at times sourced from Supplier G and Supplier G also sourced from us, for used SME and Parts. Our Directors confirmed that none of our used SME in the turnkey solution provided to Supplier G is the same as the used SME we purchased from Supplier G.

Our revenue derived from Supplier G for the three years ended 31 December 2016 amounted to approximately nil, nil and NTD22.7 million, respectively, representing approximately nil, nil and 1.9% of total revenue, respectively. For the three years ended 31 December 2016, our purchase from Supplier G amounted to approximately nil, NTD31.7 million and NTD36.3 million, respectively, representing approximately nil, 2.9% and 5.9% of our total purchases, respectively. The terms of sales of used SME and Parts we provided to Supplier G were similar to those we provided to other customers. The average gross profit margin for our used SME and Parts provided to Supplier G was approximately nil, nil and 25.0% for the three years ended 31 December 2016, respectively. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping supplier other than the profit derived from the arm's length transaction with the overlapping supplier as disclosed above.

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During the Track Record Period, we had not entered into any long-term sales contract with our customers, which we believe is consistent with the market practice.

Sales and marketing

As at the Latest Practicable Date, our sales and marketing team consisted of 16 employees. Our sales team is responsible for liaising with and handling enquiries from our customers, following up sales orders, arranging for delivery and exploring potential customers. As soon as sales orders are secured from our customers, our sales staff will take steps to ensure that the sales orders are timely handled. Our sales staff need to closely liaise with the project manager and quality control personnel to ensure that the finished products will be ready for delivery as scheduled. Our sales staff regularly contact our customers to maintain the business relationships. We also invite our major and potential customers to visit our facilities including our warehouse and clean rooms in Taiwan, and interact with our executive Directors and senior management to increase their understanding of our products and services.

We sell our products to our customers through direct sales. Our sales team is responsible for liaising with existing and potential customers, and gathering information in respect of potential sales, such as liaising with the invitation for quotation from our customers. Based on the information obtained, we estimate the production costs of our products using our ERP quotation system and then prepare quotations for our products with reference to our target profit margin and prevailing market price of the products. After our management team's approval, we will then send the quotation to our customers. Our customers will then send us the purchase order once they agree with our quotation.

Salient terms of a typical sales contract entered into during the Track Record Period

Set out below are the salient terms of a typical sales contract entered into by our Group during the Track Record Period:

- **Delivery date:** the sales contracts for the majority of our products typically have a delivery date of about 10 weeks after we receive the purchase order from our customers. From time to time, we may be requested to deliver our products in accordance with our customers' accelerated or delayed project schedules.
- **Payment terms:** our customers are normally required to make instalment payments in the following stages: (i) a first payment of 20% to 50% of the order value upon receiving our invoice after they send us the purchase order; (ii) a product acceptance payment of 40% to 60% of the order value after we deliver the products to our customers; and (iii) a final payment of 10% to 20% of the order value upon our receipt of the acceptance certificate from our customers.
- **Delivery and packaging:** we are usually required to deliver our products, in accordance with the agreed packaging standard as set out in the sales contract or the technical agreement between our Group and our customers, to our customers on a delivery date specified in the contract or as advised by our customers.

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- **On-site installation and testing:** on-site installation and testing of our products are usually conducted by our engineers or our customers under our technical guidance within a prescribed period of time after the delivery of our products. After passing the on-site installation and testing procedures, our customers are contractually required to issue to us the product acceptance certificate.
- **Warranty period:** during this period, if there is any quality issue with our products caused by any defect in the refurbishment process, we will provide on-site labor services and the non-consumable Parts free-of-charge. Our contracts normally come with a warranty period of three to 12 months from product acceptance by our customers after passing the on-site testing.
- **Dispute resolution:** any disputes between our Group and our customer shall firstly be resolved through negotiations, failure of which, the parties involved may resort to arbitration or litigation proceedings.

Settlement and credit periods

Our sales are mainly settled by way of telegraphic transfer in USD or NTD for our Taiwan customers and in USD for our customers in the PRC and other overseas customers.

Pursuant to terms of the sales contracts, we require our customers to make instalment payments based on certain milestone. We generally grant credit terms of 30 to 90 days to our customers. Our customers settle payments with us mainly by telegraph transfers. A customer may delay in settling the instalment payment, and we might grant extended credit terms to certain customers in view of our trade receivables remaining outstanding and being past due. Turnover days of our trade receivables were approximately 110.9 days, 76.6 days and 56.5 days for the Track Record Period, respectively. At each reporting date our total trade receivables amounted to approximately NTD234.6 million, NTD201.8 million and NTD182.0 million, respectively. Our Directors believe that the above payment delays and our revenue recognition policy are the major reasons for our relatively long trade and bill receivables turnover days. Please refer to the section headed “Financial Information — Analysis of Various Items in the Consolidated Statements of Financial Position — Trade and bills receivables” in this prospectus for further analysis of trade receivables.

Liquidity management policy

During the Track Record Period, our Group generally recognised trade payables to our suppliers upon the receipts of SME and Parts we purchased in preparation for our customers. Meanwhile, our customers are normally required to make instalment payments by three stages, please refer to the section headed “Business — Customers, Sales and Marketing — Salient terms of a typical sales contract entered into during the Track Record Period” in this prospectus. In general, only after we completed the relevant stage of work of our turnkey solution can we recognise the payments received in advance from our customer as revenue according to our revenue recognition policy. The amount of payment not yet recognised as revenue would be recognised as receipts in advance, resulting in a relatively lower amount of revenue to be recognised as trade receivable. Such receipts in advance would only be further recognised as trade receivable phase-by-phase when our turnkey solution is delivered and a certified report is issued. As at 31 December 2014, 2015 and 2016, our receipt in advance was approximately NTD208.2 million, NTD632.3 million and NTD200.5 million, respectively, which was significantly

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higher than the trade payables of approximately NTD149.0 million, NTD109.7 million and NTD178.9 million for the respective dates. We had not experienced any liquidity problem in settling our payables in the normal course of business and repaying our bank borrowings when they fall due during the Track Record Period. Our Group considered that the three-stage instalment payment terms as our liquidity management policy which strengthens the liquidity position of our Group. Our Directors are of the view that, our Group has maintained sufficient working capitals and does not have liquidity problems.

Our Group has also strengthened our liquidity management policy by establishing an internal control to monitor the ageing analysis of both trade receivables and payables at the end of each month. The aging analysis of both trade receivables and payables will be submitted to the management for review and approval regularly.

For the trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based upon the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with the customers' appropriate personnel such as the relevant department responsible for processing payments; (ii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate provision for impairment losses are provided for irrecoverable amounts; and (iii) seeking legal advice when necessary.

For our trade payables management, we will adhere to the following to ensure timely payment to our suppliers: (i) preparation and approval of the payment requisition form for payment once the invoice is received; (ii) monthly review of trade payable aging analysis; and (iii) for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances.

If any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, our Group will need to make use of the unutilised banking facilities to pay our suppliers. As such, our Group intends to strengthen our cash position by evaluating the sufficiency of the working capital regularly. We will put forward the follow-up actions such as purchasing less SME or extending the credit line as backup plan when necessary, to ensure sufficient working capital in times of vast amount of receivables past due cannot be recouped.

Product warranty

The sales contracts normally comes with a warranty period of three to 12 months from the issuance of acceptance certificate by our customers. During the warranty period, we provide labor services and non-consumable Parts to our customers free-of-charge for any defect of our SME. Once the warranty period expires, our on-going services are also available to our customers but will be charged on an hourly basis.

According to our warranty provisioning policy, warranty provisions were made based on the estimate of the costs expected to be incurred during the product warranty period. During the Track Record Period, we made warranty provisions of approximately NTD5.6 million, NTD34.2 million and NTD18.5 million, respectively, and our warranty costs actually used were approximately NTD3.9 million, NTD26.9 million and NTD17.9 million, respectively.

Pricing policy

Our pricing is determined on a project-by-project basis. In preparing a quotation, we use an internal ERP system to obtain quotation from each department and generate a final quotation to our customers. Our prices are generally determined based on the used SME costs, targeted profit margin and prevailing market price of the products.

We adopt a cost-plus pricing model and when determining the appropriate mark-up, we take into account our customers' acceptable price range based on our past dealings with them and a number of other factors, such as the scale, technical complexity required for the provision of turnkey solution and specification of the purchase orders, our capacity, the business relationship with our customers, the estimated cost (which mainly includes the direct labor costs and material purchase costs), the availability of the SME and Parts and competition in the market. According to the Frost and Sullivan Report, the selling price of refurbished SME in general is approximately 50% to 80% of a brand new SME.

In any events that our Group possessed certain models of inventories of used SME and Parts, our senior management might consider to sell it upon our regular inventory assessment under the following circumstance:

- (i) the trading of the certain models of the used SME and Parts are considered to be more profitable than retaining it for the provision of our turnkey solution;
- (ii) the provision of turnkey solution on such used SME might not be very profitable or in less demand of our customers; and
- (iii) the trading of the used SME after we have dismantled some useful Parts from it for the provision of our turnkey solution.

Under any of these circumstances, the selling price of the used SME and Parts sold by our Group was eventually dependent on the demand and supply in the market with reference to the second-hand market quotations among our suppliers and customers.

Due to the limited supply of used SME and Parts in the market, we would be able to price our turnkey solution at a price higher than the acquisition cost if the used SME and Parts is in high demand. In the case that the supply of the model of used SME and Parts is abundant in the market, we would only be able to charge a lower margin on top of the acquisition cost or sell at a price approximated to the acquisition cost of our Group, refer to section headed "Risk Factors — Risks Relating to Our Business and Operations — We may be unable to maintain a positive gross profit margin from the trading of used SME and Parts with other turnkey solution providers" in this prospectus.

Marketing activities and technical training to our customers

We consider the perceived quality and reputation of our products to be of paramount importance. We mainly promote ourselves through (i) customer's word of mouth in the industry; (ii) publication of latest news and information of our Group and products on our website; and (iii) our sales and marketing staff actively communicate with our potential customers to see if they are in need of our turnkey solution. All of the above serve to promote our services as well as to increase customers' awareness of our Group.

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Most of our used SME are customised to meet customers' requirements. Although we believe many of our customers already have in-house capability in semiconductor machinery operation, training in respect of the operation and routine maintenance of our SME will also be offered to our customers if requested. We attach particular importance to our SME maintenance and training as we consider that they enhance the overall attractiveness of our turnkey solution and so this may enhance our sales efforts.

RAW MATERIALS, SUPPLIERS AND PROCUREMENT

Procurement team

As at the Latest Practicable Date, our procurement team consisted of 7 members. Our procurement team is responsible for the procurement of used SME and Parts according to our business needs.

Raw materials and suppliers

During the Track Record Period, the largest component of our costs of sales was the cost of used SME and Parts which in total amounted to approximately NTD421.5 million, NTD636.9 million and NTD800.4 million, representing approximately 79.7%, 78.5% and 81.0% of our cost of sales, respectively. We source the used SME and Parts mainly from (i) our overseas dealers, (ii) other overseas turnkey solution providers, as well as (iii) SME and Parts disposed of by our customers. We also source the Parts from agents in Taiwan or from the Parts manufacturers directly.

We source Parts from a group of approved suppliers in order to ensure consistent quality and timely delivery. We maintain a list of approved suppliers, who are generally located in Taiwan, which were selected based on their pricing, records of timeliness of delivery, quality and capacity. We reassess each of the approved suppliers periodically. We generally maintain more than one supplier for our major Parts in order to reduce our costs and dependence on any one supplier. During the Track Record Period, we did not experience any shortage or material delay in the supply of Parts to us.

We purchase used SME upon receipt of purchase orders, and we also purchase the frequently ordered type of used SME according to the market conditions to lower our cost. We do not enter into any long-term purchase agreement with our suppliers. We place purchase orders with our suppliers from time to time in accordance with our needs. We order used SME and Parts from our suppliers through individual purchase orders, with credit terms typically from 30 to 90 days for the Parts. While for the used SME, the settlement terms of which generally required upfront payment of 30% of the acquisition cost upon purchase orders, payment of 60% before shipping, and 10% after acceptance by us. We settle payments with suppliers mainly by way of telegraphic transfers. Usually we have to fully pay for the used SME before the shipment. Each purchase order specifies the specifications and quality of the used SME and Parts required. Normally the purchases are settled in USD or NTD, and sometimes in Japanese Yen.

During the Track Record Period, we maintained over 1,100 suppliers on our approved supplier list for used SME and Parts, in which over 35 suppliers are capable to provide us with used SME. Our Directors confirmed that over 30 suppliers are capable to provide us with used SME under the Japanese brand. For the three years ended 31 December 2016, our aggregate purchases from our top five largest suppliers represented approximately NTD307.8 million, NTD564.3 million and NTD348.3 million of our total purchases of used SME and Parts, respectively, accounting for approximately 55.8%, 51.1% and 56.7% of our total purchases of used SME and Parts, respectively. We, to a certain extent, demonstrated

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heavy reliance on major suppliers on used SME supplies for each of the year ended 31 December 2014, 2015 and 2016. Our Directors was of the view that such reliance was due mainly to the following commercial rationales:

- (i) *Our established relationship with our major suppliers in light of the limited number of used SME supply in the market*

According to the Frost and Sullivan Report, due to the limited number of used SME and Parts available in market and thus high demand for specific SME models, market participants are usually in competition for SME and Parts supply in order to offer specific models of customized used SME to their customers in a timely manner. While some of our used SME suppliers, including Supplier A, Supplier B and Supplier F are capable in obtaining a wide range of used SME and Parts, including those specific brands and models of SME, the availability of used SME they owned is considered as a key reason for our Group to rely on them in supply.

- (ii) *Our inclination to continuously source from the suppliers with proven track record*

According to the Frost and Sullivan Report, turnkey solution providers with good relationship with suppliers of used SME and Parts are more advantageous in maintaining the channels of raw material supply and therefore sustain their turnkey solution businesses by offering a wide range of SME to customers. Our Group endeavors to maintain a stable relationship with our approved suppliers to secure the stable supply of used SME and parts. Given that the significant acquisition cost per unit of used SME and the operation scale of our Group, any substantial purchases orders of used SME we placed with these SME suppliers will result in significant amount of purchases of our Group and the supplier of which would then become our major suppliers for the respective period.

Our Directors are of the view that our business will sustain notwithstanding the reliance and will not affect our business prospect due to (i) such reliance is mutual and complementary; and (ii) our ability to source from our supplier network.

- (i) *Mutual and complementary reliance*

Our Director had maintained a list of approved suppliers upon assessing their operation scales, targeted customers and capacities to compete with our Group in handling turnkey solution requests from our major customers. While some of our major suppliers, who are also turnkey solution providers, are of smaller scale to our Group in terms of operation scale and revenue. These suppliers, to some extent, rely on our Group in view of: (i) the substantially growing revenue contribution derived from our Group, and (ii) the demand of their used SME and Parts from our Group as they might not have channels and the relative operational scale to handle purchase orders directly from our major customers, which include some global leading semiconductor manufacturers in Taiwan and China. For details, please refer to section headed “Business — Customers, Sales and Marketing — Overseas turnkey solution providers” in this prospectus. For other major suppliers who are trading companies of used SME and Parts, some of them are of larger scale as compared to our Group and had similar targeted customers in terms of trading of used SME and Parts, however, they do not possess our turnkey solution capacities to serve these customers. Our Directors consider that our Group is benefited from the wide range of used SME and Parts supply from these suppliers in the provision of our turnkey solutions. For

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details, please refer to section headed “Business — Customers, Sales and Marketing — SME and/ or Parts trading company” in this prospectus. Our Group is of the view that our reliance on the stable supply of raw materials of our turnkey solution from our major suppliers is mutual and complementary. Our Directors are of the view that it would not be commercially sensible for our major suppliers to terminate supply to us.

(ii) Our ability to source from our supplier network

During the Track Record Period, our Group had maintained over 1,100 suppliers on our approved supplier list for used SME and Parts, in which over 35 suppliers are capable to provide us with used SME. Our Directors are of the view that alternative suppliers of used SME other than any one of our major suppliers are considered readily available as we have demonstrated rotation among our major suppliers during the Track Record Period and stable supply could be secured as we have already established business relationship with them. During the Track Record Period, our Group had also joined a global industry association, SEMI, which provides our Group with the access to further broaden our supplier network.

Our Directors are of the view that the outlook of the turnkey solution provider market in the PRC and Taiwan will remain positive in the foreseeable future and thus our business is viable even considering our reliance on major suppliers. For further information about the prospects of the industry, please refer to the section headed “Industry Overview — Analysis of Trading of Used SME with Turnkey Solution Market in Taiwan” in this prospectus.

To the best knowledge of our Directors, none of our Directors or chief executives or their respective close associates or any Shareholder, who owned more than 5% of the issued Shares immediately after completion of the Share Offer, had any interest in any of our top five suppliers during the Track Record Period.

The following tables set forth certain information in relation to our top five suppliers during the Track Record Period:

<u>Top five suppliers for the year ended 31 December 2014</u>	<u>Principal business</u>	<u>Head office</u>	<u>Relationship since</u>	<u>Approximate total amount of purchase</u> <i>NTD'000</i>	<u>Approximate percentage of our total purchase</u>
Supplier F <i>(note 2)</i>	Private limited company which engages in the trading of used SME and provides turnkey solution.	South Korea	October 2010	107,066	19.4%
Supplier B	Private limited company which engages in the trading of used SME	Hong Kong	April 2010	99,524	18.0%
Supplier A <i>(Note 1)</i>	Private limited company which engages in the trading of used SME and provides turnkey solution.	South Korea	June 2013	67,289	12.2%
Supplier I	Private limited company which engages in the supply of Parts.	Taiwan	January 2010	19,438	3.6%
Supplier J	Private limited company which engages in the supply of Parts.	Taiwan	April 2013	14,520	2.6%

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Top five suppliers for the year ended 31 December 2015	Principal business	Head office	Relationship since	Approximate total amount of purchase <i>NTD'000</i>	Approximate percentage of our total purchase
Supplier A (<i>Note 1</i>)	Private limited company which engages in the trading of used SME and provides turnkey solution.	South Korea	June 2013	362,374	32.8%
Supplier B	Private limited company which engages in the trading of used SME.	Hong Kong	April 2010	78,971	7.1%
Supplier C	Private limited company which engages in the trading of used SME.	Singapore	October 2014	43,936	4.1%
Supplier D	Listed company on KRX which engages in the trading of various used SME in semiconductor front-end, back-end, display, LED, solar and medical industries.	South Korea	January 2011	42,304	3.8%
Supplier E	Private limited company which engages in the supply of Parts.	Taiwan	December 2009	36,676	3.3%

Top five suppliers for the year ended 31 December 2016	Principal business	Head office	Relationship since	Approximate total amount of purchase <i>NTD'000</i>	Approximate percentage of our total purchase
Supplier A (<i>Note 1</i>)	Private limited company which engages in the trading of used SME and provides turnkey solution.	South Korea	June 2013	146,159	23.8%
Supplier F (<i>Note 2</i>)	Private limited company which engages in the trading of used SME and provides turnkey solution.	South Korea	October 2010	108,976	17.7%
Supplier G	Private limited company which engages in the trading of used SME.	USA	April 2010	36,277	5.9%
Supplier H	Listed company on KRX which provides scrubber and temperature control systems.	South Korea	October 2016	32,944	5.4%
Supplier B	Private limited company which engages in the trading of used SME.	Hong Kong	April 2010	23,988	3.9%

Notes:

- Supplier A, a turnkey solution provider located in South Korea, is also one of our top five largest customers during the Track Record Period, which is designated as Customer D in this prospectus.
- Supplier F, a turnkey solution provider located in South Korea, is also one of our top five largest customers during the Track Record Period, which is designated as Customer H in this prospectus.

Procurement strategy and inventory management policy

Our inventory comprises mainly used SME and Parts. We purchase used SME upon receipt of purchase orders, and we purchase the frequently ordered type of used SME according to the market conditions to lower our cost. Typically we maintain six months' worth of inventory of Parts as safety stock in anticipation of our needs for SME refurbishment and our repair and maintenance services ordered from our customers. We closely monitor our inventory level to meet our requirements, minimise wastage, and avoid stocking up obsolete inventory. We keep updated information on existing Parts for our planned workload and formulate our procurement plan accordingly. While only raw materials of our inventory might be used in our trading of used SME and Parts business, as detailed under section headed "Business — Our Solution and Products — (ii) Trading of used SME and Parts" in this prospectus, our major operational strategy and purposes of purchasing raw materials is to provide turnkey solution to semiconductor manufacturers, being the major revenue driver of our Group, which accounted for over 80% of our overall revenue during the Track Record Period. According to HKAS 2, inventories shall be measured at the lower of cost and net realisable value. Materials and other supplies held for use in the production of inventories are not written-down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to realise. Accordingly, the management has been taking into account of the aforementioned operational strategy and purposes in the assessment of the provisions on inventory at each reporting date. In practice, the management assessed the carrying amount of raw materials based on the lower of acquisition cost of the used SME and Parts and its net realisable value in our management's best estimate to be sold to semiconductor manufacturers by way of turnkey solution at each reporting date. If the cost is higher than the respective net realisable value, we will write-down the inventory to net realisable value through profit or loss. If factors that resulted in the provision for the inventory have disappeared and the net realisable value therefore became higher than the respective carrying amount, we will reverse the amount of write-down, and recognise the reversal in the profit or loss. During the Track Record Period, we have written-down inventory of approximately NTD11.7 million, NTD20.2 million and nil for the years ended 31 December 2014, 2015 and 2016, respectively.

We purchase used SME upon receipt of purchase orders, and we also purchase the frequently ordered type of used SME according to the market conditions to lower our cost. In any events, our Group might incur loss from the trading of certain models of our used SME to our overseas turnkey solution providers at selling prices approximated to our acquisition cost, after taking into consideration of the other components of cost of sales, including the relevant transportation cost, storage cost and exchange loss incurred upon the acquisition of the SME. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Operations — We may be unable to maintain a positive gross profit margin from the trading of used SME and Parts with other turnkey solution providers" in this prospectus. Our Directors are of the view that our trading of used SME and Parts business to our overseas turnkey solution providers accounted for less than 6% of our total revenue, among which the loss-making transactions does not happen frequently and the relevant sales amount only accounted for approximately 2.9%, 2.2% and nil of our overall revenue during the Track Record Period. Our Directors believed that the negative or low profit margin resulting from our sales of used SME and parts to other turnkey solution providers as part of the operating expense and inventory risk borne by our Group during our business operation. Along with such practice in our business operation, our Group

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demonstrated that we were able to maintain an overall positive gross profit margin during the Track Record Period. Thus, our Directors considered that all accounting write-off on inventories have been provided and the overall inventory write-off is sufficient.

Our inventory balances were approximately NTD343.8 million, NTD863.2 million and NTD641.6 million at 31 December 2014, 2015 and 2016, respectively, and our average inventory turnover days were approximately 182.5 days, 267.9 days and 274.1 days, respectively. Please refer to the section headed “Financial Information — Analysis of Various Items in the Consolidated Statements of Financial Position — Inventories” in this prospectus for further information of inventories of our Group.

QUALITY CONTROL

As at the Latest Practicable Date, our quality control team consisted of 6 members. Our quality control team is responsible for ensuring all products pass through our quality control process and meet our standards. We monitor the quality of the incoming Parts and our manufacturing process closely, and conduct performance and reliability testing on our finished and outgoing products to ensure that they meet the specifications of our customers.

Incoming material quality control

Our quality control team conducts appearance and quality inspections on all the incoming raw materials to ensure that they meet our quality standards prior to their use. For those Parts that are made and supplied to our Group by suppliers based on our design and specifications, our quality control team checks if its appearance, size and functions conform with our design, specifications and required quality standards. Any Parts or raw materials that do not meet our quality standards will be immediately returned for replacement or refund.

Working process and finished product quality control

Our quality control team and engineer team conduct inspection of the SME in the process of refurbishment and restructuring based on our customers’ RFQ and our internal function test standards. Our engineers will adjust the specifications or replace the Parts to meet the requirements of our customer. All test results will be recorded in the test report. Our quality control team conducts in-house testing on all finished products to make sure that the finished products meet the relevant technical standards and our customer’s specifications. Products which do not meet the relevant quality standards will be re-worked and are subject to in-house testing again after the re-work. We will issue a certificate on the finished products which pass our final product quality control inspection.

Outgoing quality control

After receipt of the product delivery notification and prior to product delivery, we further conduct inspection and confirm (i) the reconstruction and specifications conform with our customers’ RFQ; (ii) the function test results; (iii) the packing list; and (iv) the names and codes of the SME. Only products that pass the outgoing quality control inspection will be delivered to our customers.

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We are accredited with the certification of “ISO 9001:2008 Quality Management System” for our good quality management. Our Directors confirmed that we did not experience any material product quality issues, claims, complaints or sales returns (due to sub-standard quality of our products) during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT

Our Directors confirmed that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; and (iv) credit risks relating to the account receivables. The following sets out the key risks for our business and the mitigating internal control procedures thereof:

Risk control

Our risk register has identified certain risks that require management, including inappropriate and inconsistent practices, failure to detect unethical behaviors, wrongdoings or potential frauds and unauthorised access to confidential information. In order to control such risk, our Group has endorsed staff handbook and Company policies which require all Directors and employees of our Group to observe.

Regulatory risk management

Our Group may be exposed to the risk of non-compliance with regard to the applicable laws and regulations. For example, if an occupational injury happens, or pollution is accidentally produced during the course of our operations, our Group may have liability for such matter under relevant Taiwanese laws. In addition, upon Listing, our Group may be exposed to the risks of non-compliance with the GEM Listing Rules, such as the failure to despatch and publish on time its accounts in breach of Rule 18.03 and 18.49 of the GEM Listing Rules, and the failure to announce any material variation of the terms of a transaction previously announced. We have assigned designated personnel to update the context of Company policies at least annually and to distribute to all Directors and employees new amendments of the GEM Listing Rules. We have appointed Ample Capital Limited as the compliance adviser to advise us on compliance issues. All Directors and employees will be required to attend training to refresh their understanding of the staff handbook and Company policies at least once annually. Our Group will also retain a legal advisor to advise us on compliance matters with applicable Hong Kong laws and regulations.

Risk management in speculation of raw material prices

Our senior management hold discussions quarterly on procurement strategies and closely monitor the market price of used SME to purchase the frequently ordered type of used SME according to the market conditions to lower our cost of provision of turnkey solution. We closely monitor our inventory level to meet our requirements, minimise wastage, avoid stocking up obsolete inventory and assess the value of our inventory on hand. For details of inventory management, please refer to the section headed “Business — Raw Materials, Suppliers and Procurement — Procurement strategy and inventory management policy” in this prospectus. In any events that our Group possessed certain models of inventories of used SME and Parts, our senior management might consider to sell it upon our regular inventory assessment, refer to the section headed “Business — Customers, Sales and Marketing — Pricing policy” in this Prospectus.

Operational risk management

Our executive Directors and senior management are responsible for maintaining the operation and assessing the operational risks of our projects. They are responsible for implementing our internal policies and procedures. Our Group emphasises on ethical value and prevention of fraud and bribery. We have established a whistleblower program, which will allow and facilitate communication among departments and business units to report any irregularities.

Credit risk management

Our Group is exposed to credit risk which may cause financial loss to our Group if our counterparties failed to discharge an obligation. In order to minimise the credit risk, most of our customers are required to settle payment on a stage-by-stage basis after we send out our invoices. We generally grant credit terms of 30 to 90 days to our customers. Besides, on a monthly basis, a payment report summarising project incomes and expenses are reviewed by our Directors. Such process is included as the remediation measures for addressing credit risks in our Group's risk register. Before deciding whether to submit a quotation, our Group will consider factors such as creditworthiness of the relevant customers and the contract terms. In addition, our executive Directors also take into account the length of business relationship, past reputation, financial strength and repayment history of each of our customers. Settlement is monitored by our management and our finance staff. For overdue balances, our executive Directors will be alerted and appropriate follow up actions will be taken. When the account receivable balances remain unsettled after the agreed period, they will be classified as overdue. As at 31 December 2014, 2015 and 2016, our Group made allowance of impairment of approximately NTD6.8 million, NTD82,000 and nil relating to trade receivables, respectively.

RESEARCH AND DEVELOPMENT

Our research focus and budget

Our Group has continuously allocated financial resources into research and development, which will in turn enable us to maintain our market position and competitiveness in the used SME turnkey solution market. Customers of our turnkey solutions generally have differentiated needs and specifications and therefore demand customized solutions. As a result, research and development is particularly important for us to provide tailored solutions that meet our customers' requirements in a timely manner.

Our research and development efforts focus on both improving the effectiveness and quality of our existing turnkey solutions to cater our customer's specifications, and improve cost-effectiveness in manufacturing. We conduct our research and development activities through (i) our internal research and development team, and (ii) collaboration with external research partners to pursue specific research topics. For the three years ended 31 December 2016, our research and development expenditure incurred were approximately NTD5.1 million, NTD3.7 million and NTD4.5 million, respectively, which accounted for approximately 0.7%, 0.4% and 0.4% of our total revenue during the respective period.

(i) Our Internal Research and Development

We had an in-house research and development team, comprising 5 members led by Mr. Fan Shang-Shan as at the Latest Practicable Date. For details of qualifications and experiences of Mr. Fan Shang-Shan, please refer to the section headed “Directors and Senior Management — Senior Management” in this prospectus. Our research and development team receive regular training and generally had experience in the SME manufacturing industry or engaged in research and development related activities. Our research and development team works closely with our sales team to collect the latest market information including the latest market trend and development, demand and consumer requirements.

(ii) Collaboration with Research Institutes

We have entered into collaboration agreements, namely, 委託開發契約書 (“Commissioned Agreement”) and 技術授權契約書 (“Authorization Agreement”), with ITRI since October 2015 to strategically advance our research and development capabilities by leveraging on its established research initiatives on the electronic and optoelectronic fields. Such researches aimed to solve the epitaxy issues in the MOCVD techniques used to manufacture UVC-LED. The MOCVD SME, which is under research and development by our Group during the Track Record Period, is a SME used in the front-end of the semiconductor manufacturing process. With the LED becoming more popular in the end product market, many semiconductor manufacturers intend to enhance their production facilities to meet the increasing demand. Our research is on schedule and our Directors believe that we can provide the MOCVD SME by the end of 2017. Our Directors confirm that some of our customers have expressed interest on the MOCVD SME and our existing supplier network can provide us with the materials required. Through this collaboration, our engineers will gain access to the epitaxial technology and in turn will be able to refine our MOCVD techniques, thereby minimising our upfront costs and the associated risks while broadening the spectrum of our turnkey solution.

Commissioned Agreement

We engage ITRI to research in verifying the efficiency and quality of UVC-LED thin film from 19 October 2015 to 18 October 2017 (“**The Research**”). The engagement fee is NTD8 million and the related tax is borne by us. We provide ITRI with Epitaxy SME for The Research and we also bear the repair and maintenance fees. We assigned several of our engineers to participate in The Research. All the output from our execution of The Research, such as the related technology and documents with its potential patents, copyrights, trade secret and other intellectual property rights belong to us. All the output from ITRI’s execution of The Research, such as the related technology and documents with its potential patents, copyrights, trade secret and other intellectual property rights belong to ITRI (“**Research Achievement**”). ITRI agreed that we could use, execute, remodel and revise the Research Achievement in the area of photoelectric technology within ten years from signing the Commissioned Agreement.

Authorization Agreement

ITRI achieved related technology (“**The Technology**”) from being engaged by Ministry of Economics Affairs in executing the 半導體光源及應用關鍵性技術發展四年計劃. We entered into the Authorization Agreement with ITRI, and ITRI agreed that we could use, execute, remodel and revise The Technology. ITRI also agreed that we could use and execute the products made or

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assembled according to The Technology. The Technology belongs to ITRI. The authorized fee is NTD2 million and the related tax is borne by us. The Authorization Agreement is valid for ten years from 19 October 2015.

As advised by our Taiwan Legal Advisers, the provisions under the Commissioned Agreement and Authorized Agreement did not violate Taiwan laws and regulations. We confirm that such Agreements were valid and binding among the parties involved.

PROPERTY INTERESTS

Our self-owned properties

As at the Latest Practicable Date, we (i) owned one parcel of land in Taiwan which we have erected our industrial complex on it; and (ii) owned one industrial complex which comprises our headquarters, workshop, office and warehouse. As advised by our Taiwan Legal Advisers, as at the Latest Practicable Date, we had obtained proper title certificates for our owned properties.

<u>Properties</u>	<u>Location</u>	<u>Use of the property</u>	<u>Approximate gross floor area</u>
Land	No. 80, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan/ 新竹縣竹北市東華段1021地號	Our industrial complex	2,813.68 sq. m.
Industrial complex	No. 80, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan	3 storey building with a basement used as our headquarter, workshops, clean rooms, office and warehouses	6,354.52 sq. m.

For further details of our property interests, please refer to the Valuation Report set out in Appendix III to this prospectus.

As at the Latest Practicable Date, we did not lease any material property.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group has registered for three trademarks in Taiwan, two trademarks in the PRC and three trademarks in the US, and we are the owner of one domain name www.genestech.com. Details of our intellectual property rights are set out in the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 2. Intellectual property rights of our Group” in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement or unauthorised use of our intellectual property rights by any third party. We are also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

BUSINESS

AWARDS AND RECOGNITIONS

Since our establishment, we have received a number of awards and recognitions in the semiconductor industry. The table below sets forth the more notable awards and certifications obtained by our Group:

Year of award	Award	Issuing authority
2016	Appreciation for effort in furnace tool delivery and installation schedule in Fab 6	Customer A
2015	The Best Strategic Partner (“最佳战略合作夥伴”)	Customer B
2015	Recognition Award	Customer A
2015	Worldwide Record (90.58 hours) for Furnace Tool Installation	Customer B
2010	Appreciation for effort in expediting important capacity improvement in Fab 3	Customer A

CERTIFICATES, LICENSE AND PERMITS

Our Taiwan Legal Advisers has confirmed that Genes Tech has obtained all requisite business licenses, approvals, certificates and permits for conducting its registered businesses, all of which are presently in force and in compliance with all material applicable laws and regulations in Taiwan. The table below sets forth the certification obtained by our Group:

Nature	Certification	Awarding organization or authority	Period of validity
Quality Management System Accreditation	ISO 9001: 2008	TQCS International Pty Ltd	Up to 05 March 2018

EMPLOYEES

As at the Latest Practicable Date, our Group had 122 employees. All of our staff are full-time employees and located in Taiwan. The following sets forth the number of employees by function as at 31 December 2013, 2014, 2015, 2016 and the Latest Practicable Date:

Function	No. of employees as at 31 December 2013	No. of employees as at 31 December 2014	No. of employees as at 31 December 2015	No. of employees as at 31 December 2016	No. of employees as at Latest Practicable Date
Directors	3	3	3	3	3
Engineers	22	44	44	50	70
Finance and administration	5	7	16	14	15
Procurement	3	4	8	8	7
Quality control	6	7	6	6	6
Business development	10	14	18	17	16
Research and development	5	5	6	6	5
Total	<u>54</u>	<u>84</u>	<u>101</u>	<u>104</u>	<u>122</u>

BUSINESS

Our Directors believe that our employees' industry experience and practical understanding of the SME industry are important factors to ensure our business development. We provide on-the-job training and encourage our employees to expand their knowledge. We also arrange for our employees to attend trade shows to keep abreast of the changes in the technology in the SME industry.

We recruit employees primarily from the open market, internal reference and advertise openings through advertisements online and through our own website. We may rely on professional recruiters for senior positions. During the Track Record Period, we have not paid any referral fees to the recruitment agencies.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our employees or disruption to our operations due to labour dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was an employee welfare committee established by our Group.

As confirmed by our Taiwan Legal Advisers, the template of employment contract to be entered into between Genes Tech and its employees is legal and binding on the parties if duly signed by the parties and does not violate relevant employment laws and regulations in Taiwan. In general, we determine employee salaries based on each employee's qualifications, position and seniority.

As advised by our Taiwan Legal Advisers, according to confirmations from the relevant authorities, to the best of their knowledge, we have been in compliance in all material aspects with applicable employment laws during the Track Record Period.

OCCUPATIONAL SAFETY AND HEALTH MEASURES

We are subject to certain Taiwan laws on occupational health and safety. In order to ensure occupational safety and health of our employees in the working process, we have adopted various measures such as the provision of periodic training courses on the operations of equipment and workplace safety and use of protective equipment. We also require our employees to follow the manner of "6S", which entails our in-house management system comprising Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Safety. Our safety manager in the safety and environmental department carry out regular safety inspection of our facilities to ensure that safety measures are complied with and working procedures are followed. We have established internal guidelines for our staff to maintain a safe working environment, to operate machinery properly and prevent accident.

As confirmed by our Directors, during the Track Record Period, there were no material work-related injuries or fatalities at our production facilities and we were not subject to any material claims for personal or property damages as at the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

We are not required to obtain approval or license from any environmental protection bureau in respect of our principal operations under the applicable national or local environmental laws and regulations in the jurisdictions where we operate.

BUSINESS

Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants, and our Group did not incur any cost of compliance with applicable environmental protection rules and regulations directly during the Track Record Period. Our Directors do not expect our Group to incur significant costs for compliance with applicable environmental protection rules and regulations directly in the future. As at the Latest Practicable Date, our Group was not involved in any material non-compliance of any applicable laws and regulations on environmental protection.

INSURANCE

For our operations, we maintain mandatory insurance and benefits for our employees, including life insurance, medical insurance and health insurance. Based on our belief of the industry practice in Taiwan, we do not maintain product liability insurance or key person insurance for any member of our senior management team. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Operations — We may not have adequate insurance coverage" in this prospectus. During the Track Record Period, we have not experienced any serious accident or material product liability claims and our Directors consider our insurance coverage to be adequate and in line with industry practices in Taiwan. We will continue to monitor our risk portfolio and make adjustments to our insurance practice as necessary.

COMPETITION

According to the Frost and Sullivan Report, the SME provider market is highly concentrated with top five players accounting for 64.0% of total global market share in terms of revenue in 2015. In Taiwan, turnkey solution providers usually specialize in certain brand of SME and thus require specific knowledge on SME to acquire the business, although OEMs are also providing turnkey solutions. The overall market of turnkey solution providers are fragmented with many private companies involved in the turnkey business for different brands of SME. In 2015, we contributed a revenue of approximately NT\$0.88 billion, representing 4.7% of market share in turnkey solution market in Taiwan. Also, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan.

In view of the competition in the industry of our business, we believe that our competitive strengths have contributed to the success of our Group and under the management of our experienced Directors and senior managements, our Group is well positioned to capture the growing demand for the turnkey solution business in the PRC. For further details of our competitive strengths, please refer to the paragraph headed "Business — Our Competitive Strengths" in this section.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal proceedings

As at the Latest Practicable Date, none of our Company and Directors is a party to any outstanding litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations, and no material litigation, arbitration or administrative proceedings has been threatened against our Company.

Regulatory compliance

Our Directors confirm that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.

CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the audit committee, remuneration committee, risk management committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the CG Code. The section headed “Directors and Senior Management — Board Committees” in this prospectus set out further information;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provisions of the CG Code;
- (iii) we have appointed three independent non-executive Directors representing more than one third of the Board and at least one of them has accounting expertise;
- (iv) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless otherwise provided in the Articles;
- (v) pursuant to the CG Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (vi) our Company will adopt a comprehensive company policies covering legal and regulatory compliance with reference to the CG Code;
- (vii) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (viii) our Directors will attend professional development seminar including the corporate governance to ensure on-going compliance after Listing.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with its consolidated financial statements as at the closing date of and for the years ended 31 December 2014, 2015 and 2016, and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties (including those discussed below or elsewhere in this prospectus). For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a turnkey solution provider and exporter of used SME and Parts in Taiwan. According to the Frost and Sullivan Report, in terms of used SME and Parts under the Japanese brand, our Group is considered as one of the leading turnkey solution providers and exporters in Taiwan. Since the commencement of our business in 2009, our Group has been providing turnkey solution of used SME and Parts to our customers who are mainly semiconductor manufacturers that need to alter and/or upgrade their production system from time to time. In addition to our turnkey solution of used SME and Parts as the major revenue driver of our Group, we also derived revenue from the trading of SME and Parts. The operation of our Group can be broadly classified into two major types of businesses, namely: (i) turnkey solution and (ii) trading of SME and Parts. Details of our business overview are set out in the section headed "Business — Overview" in this prospectus.

For the three years ended 31 December 2016, our Group generated revenue of approximately NTD686.0 million, NTD1,025.9 million, and NTD1,223.3 million respectively. Our net profit was approximately NTD55.2 million, NTD61.6 million and NTD12.1 million for the respective years. The significant growth in our revenue was mainly driven by the derived demand of SME and Parts by our customers to expand their operation in semiconductor manufacturing in response to the recent tremendous growth of the wearable device markets.

The increase in net profit during the two years ended 31 December 2015 was in line with the growth in our revenue although partially offset by the (i) decreasing trend in our gross profit margin, and (ii) significant increase in our administrative expense upon the expansion of business of our Group and the recognition of our listing expenses during the year ended 31 December 2015.

The decrease in net profit of our Group during the two years ended 31 December 2016 was primarily attributable to: (i) the recognition of our listing expenses of approximately NTD39.0 million; (ii) other loss of approximately NTD10.6 million mainly due to the depreciation of USD/NTD throughout 2016; (iii) the payment of withholding tax of approximately NTD11.6 million due to an intra-group dividend declared by Genes Tech to Top Vitality, a foreign non-Taiwan resident enterprise; and (iv) the decrease in our gross profit margin. Excluding the non-recurring listing expenses incurred during the respective years as a non-IFRS measure for the purpose of reflecting principally the financial performance of our Group from our usual course of business, our adjusted net profit would have become approximately NTD55.2 million, NTD64.6 million and NTD51.1 million, respectively.

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BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 6 June 2016. Pursuant to the Reorganisation, as detailed in the section headed “History, Reorganisation and Group Structure — Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group on 20 June 2017, our Group is regarded as a continuing entity resulting from our Reorganisation since the insertions of certain new holding companies at the top of Genes Tech have no commercial substance and do not form a business combination. Accordingly, our Financial Information have been prepared using the principles of merger accounting as if our Reorganisation had occurred as of the beginning of the earliest period presented and our current group structure had always been in existence.

Our consolidated statements of comprehensive income, the consolidated statements of changes in equity and our consolidated statements of cash flows of our Group for the Track Record Period have been prepared to present the financial performance, changes in equity and cash flows of our Company and its subsidiaries as if our current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, where applicable. Our consolidated statements of financial position of our Group as of 31 December 2014, 2015 and 2016 have been prepared to present the assets and liabilities of our Company and its subsidiaries as if our current group structure had been in existence at those dates taking into account the respective date of incorporation/establishment or acquisition, where applicable.

Our consolidated financial statements, which are presented in NTD, have been prepared in accordance with HKFRSs and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

The consolidated financial information has been prepared by our Directors based on consolidated financial statements or, where appropriate, unaudited management accounts of the companies now comprising our Group.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus. Factors other than those set forth below could also have a significant impact on our results of operations and financial position in future.

Market demand for semiconductor and the derived demand for SME and Parts in Taiwan and the PRC markets

We relied on a few major customers during the Track Record Period and we have not entered into long-term contracts with our major customers. Any significant reduction of our purchase orders from our major customers or any termination of business relationship between our major customers and us, our businesses, financial position and results of operations might be adversely affected.

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The semiconductor industry is highly cyclical due mainly to the fluctuating end markets of the products that use semiconductor. In particular, our business expansion and revenue growth have been, and we expect them to continue to be, affected by the growth of the semiconductor market in Taiwan and the PRC. During the Track Record Period, on top of our significant sales in Taiwan, an increasing amount of our revenue was derived from the PRC market. According to the Frost and Sullivan Report, Taiwan is the world's largest market for SME and valued at US\$9.64 billion in 2015, representing a quarter of the total worldwide market. As driven by the strong demand for electronic devices (e.g. smartphone, laptop and tablet), customization of existing SME through turnkey solution and the growing supply of used SME, the market size of turnkey service for SME had grown from NTD7.4 billion in 2010 to NTD18.8 billion, representing a CAGR of 20.4%. It is expected that the market will maintain the growing trend at a CAGR of 14.5% during the forecast period, reaching NTD37.0 billion by 2020. Driven by the huge demand for semiconductor in electronics manufacturing industry and the Chinese government's future development focus on semiconductor manufacturing, the PRC's demand for SME is expected to grow the fastest in the world in the coming years. Please refer to the section headed "Industry Overview — Overview of Global SME Market" in this prospectus for more details about the growth trends of the Taiwan and PRC's semiconductor market.

Our revenue growth during the Track Record Period was generally consistent with and affected by the growth trend of the semiconductor market. We expect that the overall conditions and the growth of the Taiwan and PRC's semiconductor market will continue to have a significant impact on our results of operations.

Cost of sales and gross profit margin

Fluctuation in the cost of sales and our ability to pass on any increase in the cost of sales to our customers will affect our total cost of sales and our gross profit margins. Material costs and labor costs are the major components of our cost of sales, representing, in aggregate, approximately 87.0%, 85.4% and 89.6% of our total cost of sales for the three years ended 31 December 2016 respectively. During the Track Record Period, the principal costs of sales used in our turnkey solution and trading of SME and/or Parts were SME and Parts sold by our suppliers and our direct labor costs representing the salaries and allowance paid to our engineer staff.

Key factors affecting the purchase price of the SME and Parts include supply and demand in the market. The principal raw materials and semi-finished goods we used in our turnkey solution include furnace, clean track and others. We source our raw materials and semi-finished goods from suppliers both in Taiwan and overseas, such as South Korea, the PRC, Singapore and Hong Kong etc., and have developed stable relationships with our key suppliers over time. Our results of operation may be either favorably or unfavourably affected by the fluctuation of our principal materials.

We price our businesses primarily based on the acquisition cost of SME and Parts as well as our direct labor costs, taking into account a number of other factors, including market competition, market demand, technical complexity, our business relationship and production costs.

Although our Group's gross profit margin changed as a result of the movement in the material costs, direct labour costs and other factors, our gross profit margin remained relatively stable ranging from approximately 19.2% to 22.9% during the Track Record Period. Our Group

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generally maintains our gross profit margin level by adopting a cost-plus pricing model. During the Track Record Period, we did not enter into any long-term supply contracts because we wish to retain the flexibility to choose a supplier that provides us with relatively competitive price on materials in the market. We did not have any hedging facilities to minimise the risk of material price and staff cost fluctuations. As a result, our overall gross profit margin will be subject to market fluctuations.

The Fluctuation in Foreign Exchange Rates

As the provision of our turnkey solution and trading of SME and Parts to our customers are primarily denominated in US dollars whereas some of our purchase of materials and payment of wages and salaries to our workers in Taiwan are denominated in NTD, we are exposed to the exchange rates risk. Our profit margins will be negatively affected when we are unable to pass any appreciation of the NTD against the US dollars to our customers by raising the selling price of our products in US dollars. Any significant fluctuations in the exchange rates in the future will also have an impact on our reported costs and earnings, and therefore, our operation results. In addition, we are exposed to the risks associated with the currency conversion and exchange rate system in Taiwan.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. Note 3 to the Accountants' Report in Appendix I to this prospectus sets forth certain significant accounting policies. Our consolidated financial statements have been prepared in accordance with the HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our financial performance and financial position. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances.

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In relation to the disclosures on basis of presentation, critical accounting policies of the Accountants' Report and estimates, highlights of significant accounting policies in practice of our Group are discussed as follow:

Revenue recognition

Our revenue is measured at the value of the sales contract received or receivable. Our revenue from the provision of turnkey solution and trading of SME and parts is recognised when the inventory are delivered and titles have passed, at which time the delivery of products to the customers and completion of the installation and on-site testing (if required in the sales contract); and the acceptance (by way of customer acceptance certificate) by the customers of the SME without further unfulfilled obligation.

Impairment of receivables

Our impairment policy of receivables is based on the our management's evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each of our customers.

Allowance for inventories

Our management carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Our management reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and salable. Our management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions. In practice, the management assessed the carrying amount of raw materials based on the lower of acquisition cost of the used SME and Parts and its net realisable value in our management's best estimate to be sold to semiconductor manufacturers by way of turnkey solution at each reporting date. If the cost is higher than the respective net realisable value, we will write-down the inventory to net realisable value through profit or loss. If factors that resulted in the provision for the inventory have disappeared and the net realisable value therefore became higher than the respective carrying amount, we will reverse the amount of write-down, and recognise the reversal in the profit or loss.

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SUMMARY OF FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

The table below sets forth the selected financial information extracted from our consolidated statements of comprehensive income for the three years ended 31 December 2016 which have been extracted from, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus:

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Revenue	685,966	1,025,919	1,223,294
Cost of sales	<u>(528,814)</u>	<u>(810,923)</u>	<u>(988,312)</u>
Gross profit	<u>157,152</u>	<u>214,996</u>	<u>234,982</u>
Other income, gains and losses	17,034	17,352	(10,570)
Selling and distribution expenses	(28,814)	(39,749)	(37,788)
General and administrative expenses	(70,839)	(107,685)	(139,122)
Finance costs	<u>(7,604)</u>	<u>(8,076)</u>	<u>(9,037)</u>
Profit before income tax	66,929	76,838	38,465
Income tax expense	<u>(11,688)</u>	<u>(15,268)</u>	<u>(26,354)</u>
Profit for the year	<u>55,241</u>	<u>61,570</u>	<u>12,111</u>
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of a foreign subsidiary	<u>—</u>	<u>—</u>	<u>(175)</u>
Total comprehensive income for the year attributable to owners of the Company	<u><u>55,241</u></u>	<u><u>61,570</u></u>	<u><u>11,936</u></u>

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Consolidated Statements of Financial Position

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	237,300	241,954	259,054
Intangible assets	2,880	2,611	2,206
Deferred tax assets	10,991	8,849	12,615
	251,171	253,414	273,875
Current assets			
Inventories	343,784	863,235	641,626
Trade and bills receivables	234,607	201,779	182,048
Prepayments, deposits and other receivables	121,588	66,913	41,586
Amounts due from shareholders	212	—	—
Cash and cash equivalents	118,438	162,651	79,092
	818,629	1,294,578	944,352
Current liabilities			
Trade payables	149,008	109,744	178,897
Other payables and accruals	271,017	781,520	304,507
Bank borrowings	286,729	267,979	301,773
Amount due to a shareholder	82	6,346	—
Tax payables	10,674	5,160	12,975
	717,510	1,170,749	798,152
Net current assets	101,119	123,829	146,200
Total assets less current liabilities	352,290	377,243	420,075
Non-current liabilities			
Bank borrowings	130,948	124,331	171,333
Net assets	221,342	252,912	248,742
EQUITY			
Share capital	120,000	150,000	32,499
Reserves	101,342	102,912	216,243
Total equity	221,342	252,912	248,742

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DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE OF OUR GROUP

Revenue

Our revenue represents the net amounts received and receivable for the turnkey solution and products provided and sold by our Group to our customers. During the Track Record Period, we generated our revenue principally from two major types of business (i) turnkey solution, and (ii) trading of SME and Parts.

Revenue by types of business

The following table sets forth a breakdown of the revenue of our Group by types of business during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Turnkey solution	629,164	91.7	881,099	85.9	1,094,222	89.4
Trading of SME and Parts	56,802	8.3	144,820	14.1	129,072	10.6
Total revenue	685,966	100	1,025,919	100	1,223,294	100

Turnkey solution

Our turnkey solution represented (i) the sourcing and sales of the used SME and Parts after our refurbishment, modification, installation and/or customization to our customers' specifications; and (ii) our repair, upgrading and maintenance services required by our customers on their existing SME.

During the Track Record Period, the overall revenue of our Group has been mainly driven by our turnkey solution business which accounted for approximately NTD629.2 million, NTD881.1 million and NTD1,094.2 million for the three years ended 31 December 2016, representing approximately 91.7%, 85.9% and 89.4% of our revenue, respectively.

Trading of SME and Parts

Our Group also derived revenue from the trading of SME and Parts. During the course of our turnkey solution business, we acquire used SME and Parts via (i) our overseas dealers, (ii) other overseas turnkey solution providers, and (iii) SME and Parts disposed by our customers. In addition, under certain circumstances, we dismantle the used SME and sell the Parts. For some of our excess Parts we considered we have sufficient inventory level, we also sell to (i) our turnkey solution customers which are semiconductor manufacturers; (ii) other overseas turnkey solution providers; and (iii) overseas dealers.

During the Track Record Period, our revenue represented the sales derived from trading of SME and Parts accounted for approximately NTD56.8 million, NTD144.8 million and NTD129.1 million, representing approximately 8.3%, 14.1% and 10.6% of our over revenue, respectively.

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Revenue by nature of our customers

The following table sets forth a breakdown of our Group's revenue by nature of our customers during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Semiconductor manufacturer	654,908	95.5	964,164	94.0	1,151,339	94.1
Overseas turnkey solution provider	21,713	3.2	56,252	5.5	34,968	2.9
SME and/or Parts trading company	9,345	1.3	5,503	0.5	36,987	3.0
Total revenue	<u>685,966</u>	<u>100</u>	<u>1,025,919</u>	<u>100</u>	<u>1,223,294</u>	<u>100</u>

Semiconductor manufacturer

Our overall sales are mainly driven by our sales to semiconductor manufacturers across the world that need to alter and upgrade their production system from time to time. In general, our semiconductor manufacturer customers require our turnkey solution for production line expansion and to repair, upgrade and perform maintenance on their existing SME. For the three years ended 31 December 2016, our sales to semiconductor manufacturer accounted for approximately NTD654.9 million, NTD964.2 million and NTD1,151.4 million, representing approximately 95.5%, 94.0% and 94.1% of our overall revenue, respectively.

Overseas turnkey solution provider

We had maintained customer and supplier relationship with our overseas turnkey solution providers who are mainly located in South Korea. While the nature of business of which is very similar to our Group, our Directors were of the view that these overseas turnkey solution providers (i) are of smaller scales, (ii) had different targeted customers, and (iii) did not possess the capacities to compete with our Group in handling turnkey solution requests from our major customers. Instead, we might (i) seek training services from these providers to improve the quality of our turnkey solution, and (ii) exchange SME and Parts from their turnkey solution business by way of trading. For details, please refer to the section headed "Business — Customers, Sales and Marketing — Overseas turnkey solution providers" in this prospectus.

For the three years ended 31 December 2016, our sales to other turnkey solution providers accounted for approximately NTD21.7 million, NTD56.3 million and NTD35.0 million, representing 3.2%, 5.5% and 2.9% of our overall revenue, respectively.

SME and/or Parts trading company

We maintained customers and suppliers relationship with SME and/or Parts trading company who specialised in the trading of SME and/or Parts with various turnkey solution providers and semiconductor manufacturers worldwide via their distribution network.

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For the three years ended 31 December 2016, our sales to SME and/or Parts trading company accounted for approximately NTD9.3 million, NTD5.5 million and NTD37.0 million, representing approximately 1.3%, 0.5% and 3.0% of our overall revenue, respectively.

The following table sets forth a breakdown of our Group's revenue from our major types of business by nature of our customers during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Trading of SME and Parts						
— Semiconductor manufacturers	35,014	5.1	87,342	8.5	93,966	7.7
— Oversea Turnkey solution provider	21,713	3.2	56,252	5.5	34,968	2.9
— SME and/or Parts trading company	75	0.0	1,226	0.1	138	0.0
Subtotal	56,802	8.3	144,820	14.1	129,072	10.6
Turnkey solution						
— Semiconductor manufacturers	619,894	90.4	876,822	85.5	1,057,373	86.4
— SME and/or Parts trading company	9,270	1.3	4,277	0.4	36,849	3.0
Subtotal	629,164	91.7	881,099	85.9	1,094,222	89.4
Total revenue	685,966	100	1,025,919	100	1,223,294	100

Benefited from the recent tremendous growth in the wearable device markets, we recorded growth in both types of our businesses for the two years ended 31 December 2015. The portion of our revenue derived from our trading of SME and/or Parts business increased from approximately 8.3% to 14.1% of our overall revenue, leading to a drop in the portion of revenue derived from our turnkey solution business from approximately 91.7% to 85.9% during the respective years. Such growth in our trading of SME and/or Parts business was due mainly to the growth in our sales to our semiconductor manufacturers and overseas turnkey solution providers.

For the two years ended 31 December 2016, the portion of our revenue derived from our turnkey solution business increased from approximately 85.9% to 89.4% of our overall revenue, leading to a drop in the portion of revenue derived from our trading of SME and/or Parts business from approximately 14.1% to 10.6% during the respective years. Such growth in our turnkey solution business was due mainly to the growth in our sales to both our semiconductor manufacturers and SME and/or Parts trading company.

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While the growth in our revenue from our trading of SME and/or Parts business with our semiconductor manufacturers was generally in line with their needs in expanding the production lines, the decrease in our overall revenue from our trading of SME and/or Parts business for the year ended 31 December 2016 is mainly due to the decrease in our revenue derived from our oversea turnkey solution provider. For the year ended 31 December 2015, we had a loss-making transaction with our overseas turnkey solution provider. From such transaction, we sold a certain model of SME of approximately NTD9.3 million to a South Korean turnkey solution provider, Customer D, and also purchased another specified model of SME from whom to our semiconductor manufacturers. In general, such type of transaction with our overseas turnkey solution providers allowed our Group to better manage our working capital for SME acquisitions while coping with the limited supply of used SME in the market. For detailed explanation of our business with our overseas turnkey solution provider, refer to section headed “Business — Customers, Sales and Marketing — Overseas turnkey solution providers” in this prospectus.

For the year ended 31 December 2016, our overall sales to Customer A decreased significantly, reflecting a slowdown in the purchase orders from which. Such drop led to the portion of our revenue derived from our trading business decreased from approximately 8.5% to 7.7% during the respective years. On the other hand, a decrease in our sales to Customer A derived from our turnkey solution business was outweighed by the substantial growth in our sales of our turnkey solution to Customer B, Customer F and Customer G, resulting in an increase in our revenue derived from our turnkey solution from approximately 85.9% to 89.4% of our overall revenue during the respective years.

Revenue by geographic locations

The following table sets forth a breakdown of our Group’s revenue by geographic locations of our customers during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD’000	%	NTD’000	%	NTD’000	%
Taiwan	325,440	47.4	379,469	37.0	555,293	45.4
The PRC	209,078	30.5	512,577	50.0	553,254	45.2
South Korea	21,713	3.2	57,688	5.6	34,968	2.9
Singapore	73,368	10.7	48,603	4.7	32,546	2.7
The United States	56,218	8.2	27,013	2.6	17,458	1.4
Others	149	0.0	569	0.1	29,775	2.4
Total	685,966	100	1,025,919	100	1,223,294	100

During the Track Record Period, we have developed major customers in Taiwan, the PRC, South Korea, Singapore, and the United States. As Taiwan and the PRC are the global leading markets for semiconductor manufacturing, a majority of our revenue was derived from Taiwan and the PRC, which in aggregate accounted for approximately 77.9%, 87.0% and 90.6% of our overall revenue for the three years ended 31 December 2016, respectively. We have maintained stable relationship with our customers in the PRC and Taiwan. Our sales in Taiwan and the PRC were mainly driven by our sales to Customer A and Customer B, both of whom are among the global leading manufacturers in the semiconductor

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industry. Please refer to the section headed “Financial Information — Revenue by nature of our customers — Semiconductor manufacturer” in this prospectus. Apart from South Korea, our revenue generated from our customers across the world was mainly derived from the provision of our turnkey solution to semiconductor manufacturers. For the three years ended 31 December 2016, our sales to South Korea were mainly derived from our trading of SME and Parts business with our overseas turnkey solution providers. Our sales to South Korea accounted for approximately NTD21.7 million, NTD57.7 million and NTD35.0 million, representing approximately 3.2%, 5.6% and 2.9% of our overall revenue for the respective years. Please refer to the section headed “Business — Customers, Sales and Marketing — Overseas turnkey solution providers” in this prospectus.

Year ended 31 December 2015 compared to year ended 31 December 2014

For the two years ended 31 December 2015, our overall revenue increased from approximately NTD686.0 million to NTD1,025.9 million. The increase in our revenue by approximately 49.6% during the year ended 31 December 2015 was mainly attributable to the increasing market demand of semiconductors products triggered by the recent tremendous growth of the wearable device markets. The increasing revenue of both of our turnkey solution and trading of SME and Parts businesses were mainly attributable to the net effect of: (i) increasing demand from our semiconductor manufacturer customers who were expanding their semiconductor manufacturing capacities in the PRC and Taiwan accordingly, (ii) increasing demand from other overseas turnkey solution providers and SME and/or Parts trading company who were sourcing SME and Parts in response to the growing market demand; and, (iii) an exchange loss of approximately NTD15.6 million due to the appreciation of average USD/NTD in our sales during the respective year as compared to the gain of approximately NTD5.1 million due to the depreciation of USD/NTD for the same period in 2014. The growth in our overall revenue during the year was mainly driven by our sales to customer A, with the revenue of which increased significantly by approximately NTD400.5 million for the two years ended 31 December 2015 as result of its business expansion in both the PRC and Taiwan.

Year ended 31 December 2016 compared to year ended 31 December 2015

For the two years ended 31 December 2016, our overall revenue increased from approximately NTD1,025.9 million to NTD1,223.3 million. The increase in our revenue by approximately 19.2% during the year ended 31 December 2016 was mainly attributable to the increasing market demand of semiconductors products triggered by the recent tremendous growth of the wearable device markets. The derived demand of both of our turnkey solution and trading of SME and Parts businesses were mainly derived from our semiconductor manufacturer customers who were expanding their semiconductor manufacturing capacities in the PRC and Taiwan accordingly. The overall growth in our revenue was mainly attributable to the net effect of: (i) the increase in our sales to Customer B, Customer F and Customer G in aggregate by approximately NTD492.0 million, as a result of their continuous expansion of its production capacities, (ii) the drop in our sales to Customer A by approximately NTD177.6 million reflecting a slowdown in the purchase orders from Customer A; and, (iii) an exchange loss of approximately NTD24.8 million due to the appreciation of average USD/NTD in our sales during the respective year as compared to the loss of approximately NTD15.6 million due to the appreciation of USD/NTD for the same period in 2015.

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Cost of Sales

The following table sets forth the breakdowns of the cost of sales of our Group during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	%	NTD'000	%	NTD'000	%
Material costs	421,481	79.7	636,867	78.5	800,446	81.0
Manufacturing overheads	51,416	9.7	63,563	7.9	83,978	8.5
Direct labour	38,651	7.3	56,097	6.9	85,436	8.6
Others ⁽¹⁾	17,266	3.3	54,396	6.7	18,452	1.9
	528,814	100	810,923	100	988,312	100

Note:

(1) others include cost of warranty and provisions on inventories.

During the Track Record Period, our cost of sales primarily represented (i) material costs, (ii) manufacturing overheads, (iii) direct labour costs, and (iv) others. Our material costs represented the cost incurred from the acquisition of SME and Parts including clean track, furnace and others which were used in both types of our business we operated. Such costs accounted for more than 75% of our total cost of sales during the Track Record Period. While the purchases of inventories of our Group during the Track Record Period was mainly settled in USD with NTD being the presentation currency of our Group for accounting purpose, the amount of material cost in terms of our cost of sales are subject to fluctuation in exchange rate of USD/NTD. During the Track Record Period, our Group acknowledged that the USD/NTD appreciated by approximately 3.6% from year ended date as at 31 December 2014 to 31 December 2015 and depreciated by approximately 1.6% as at 31 December 2016. Our direct labour costs represented mainly the salaries and benefits we paid to our engineers during the course of the provision of our turnkey solution business. Our manufacturing overhead costs represented mainly staff cost, depreciation, utility cost, cutting tool cost and other production costs. Other cost of sales represented the cost of warranty we included in our turnkey solutions and the provision of impairment of our goods sold.

Our cost of sales were approximately NTD528.8 million, NTD810.9 million and NTD988.3 million for the three years ended 31 December 2016, respectively. The overall increasing trend in our cost of sales during the Track Record Period was in line with (i) the increasing trend in our overall revenue as discussed above, (ii) the upward trend in both material cost of SME and Parts and labour cost in the market as a results of the aforementioned strong USD in 2015, the limited supply of and strong demand for used SME in the market, and the inflation in labour costs, and (iii) the increase in our direct labour costs due mainly to the relatively larger discretionary employee bonus granted in 2015. During the Track Record Period, the portion of our discretionary employee bonus granted to our engineers accounted for our cost of sales of approximately NTD16.1 million, NTD31.6 million and NTD59.1 million for the three years ended 31 December 2016. Considering that it generally took half a year up to ten months for our Group to complete the provision of turnkey solutions to our customers, any increase in our cost components will be reflected to our Group's profit or loss when our sales is considered completed and is recognised subsequently. While being in line with the increasing trend in our overall revenue during the

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Track Record Period, the increase in our cost of sales was also attributable to: (i) the aforementioned appreciation trend in USD/NTD in 2015 on our purchase of inventories in terms of our material costs, and (ii) the portion of discretionary employee bonus granted to our engineers in terms of our direct labor cost. Our Directors believed that the impacts of such increase in material cost and direct labour cost were most significantly reflected in the statement of comprehensive income of our Group in terms of cost of sales in the second half of the year ended 31 December 2015 and the year ended 31 December 2016 when the provision of our turnkey solution was eventually certified by our customers and recognised as revenue. During the Track Record Period, our cost of sales is affected by the fluctuation in exchange rate of USD and NTD as it might increase or decrease our purchase cost of raw material which are generally denominated in USD. For the year ended 31 December 2014, we had recorded an exchange loss of approximately NTD5.0 million in our purchase cost due to the overall depreciation of the average USD/NTD in our purchases during the respective year. For the year ended 31 December 2015 and 2016, we had recorded an exchange gain of approximately NTD1.0 million and NTD7.7 million in our purchase cost, respectively, due to the overall appreciation of the average USD/NTD in our purchases during the respective years.

Sensitivity Analysis

Our costs of sales may deviate from our estimation. There may be fluctuations in the costs during the actual implementation of the project. In the event that the material costs and direct labour costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Assuming all other variables remained constant, the following sensitivity analyses illustrated the impact of hypothetical fluctuations in material costs and direct staff costs on our profit before income tax during the Track Record Period. Fluctuations are assumed to be 17.5%, 35% and 70% for the three years ended 31 December 2016, respectively.

Hypothetical fluctuation in material costs	<u>+/-17.5%</u>	<u>+/-35%</u>	<u>+/-70%</u>
	NTD'000	NTD'000	NTD'000
Changes in profit before income tax			
For the year ended 31 December 2014	-/+73,759	-/+147,518	-/+295,037
For the year ended 31 December 2015	-/+111,452	-/+222,903	-/+445,806
For the year ended 31 December 2016	-/+140,078	-/+280,156	-/+560,312
Hypothetical fluctuation in direct staff costs	<u>+/-17.5%</u>	<u>+/-35%</u>	<u>+/-70%</u>
	NTD'000	NTD'000	NTD'000
Changes in profit before income tax			
For the year ended 31 December 2014	-/+6,764	-/+13,528	-/+27,056
For the year ended 31 December 2015	-/+9,817	-/+19,634	-/+39,268
For the year ended 31 December 2016	-/+14,951	-/+29,903	-/+59,805

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Gross Profit and Gross Profit Margin

Gross profit represents the excess of revenue over cost of sales. The following table sets forth a breakdown of our Group's gross profit and gross profit margin from our major types of business by nature of our customers during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	NTD'000	Margin %	NTD'000	Margin %	NTD'000	Margin %
Trading						
— Semiconductor manufacturers	9,823	28.1	17,829	20.4	22,791	24.3
— Overseas turnkey solution provider	(3,457)	(15.9)	(2,749)	(4.9)	1,365	3.9
— SME and/or Parts trading company	38	50.7	266	21.7	62	44.9
Subtotal	6,404	11.3	15,346	10.6	24,218	18.8
Turnkey						
— Semiconductor manufacturers	149,578	24.1	199,080	22.7	198,646	18.8
— SME and/or Parts trading company	1,170	12.6	570	13.3	12,118	32.9
Subtotal	150,748	24.0	199,650	22.7	210,764	19.3
Total gross profit	157,152	22.9	214,996	21.0	234,982	19.2

During the Track Record Period, our gross profit margin was the results of the proportion of revenue derived from our two major types of businesses by different nature of our customers. The overall gross profit of our Group was approximately NTD157.2 million, NTD215.0 million and NTD235.0 million for the three years ended 31 December 2016, representing gross profit margin of approximately 22.9%, 21.0% and 19.2% during the Track Record Period, respectively.

The overall gross profit of our Group was mainly driven by the provision of our turnkey solution which has generally accounted for over 89% of our gross profit during the Track Record Period. Our Group was able to maintain an overall gross profit margin of over 19% during the Track Record Period. The overall increasing trend in our gross profit for the three years ended 31 December 2016 was generally in line with the growth in our revenue despite the downward trend of our gross profit margin for the respective years. Detail analysis of our gross profit margin during the Trade Record Period are explained as follows.

Analysis of our gross profit margin

We adopt a cost-plus pricing model, for our consideration of the appropriate mark-up, please refer to the section headed “Business — Customers, Sales and Marketing — Pricing policy” in this prospectus.

The gross profit margin of our turnkey solution was approximately 24.0%, 22.7% and 19.3% for the three years ended 31 December 2016, respectively. The decreasing trend in our gross profit margin during the Track Record Period, was mainly attributable to: (i) the aforementioned upward trend in both material costs and labor costs in the market and (ii) the aforementioned increase in our direct labour cost

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due to the relative higher discretionary employee bonus granted to our engineers in 2015. Excluding the aforementioned portion of discretionary employee bonus granted to our engineers for the three years ended 31 December 2016, our adjusted gross profit margin derived from turnkey solution would have been approximately 26.5%, 26.2% and 24.7%, respectively. While our adjusted gross profit margins remained relatively stable for the two years ended 31 December 2015, the drop for the year ended 31 December 2016, was mainly attributable to the aforementioned increasing trend in material cost as a result of the trend of appreciation in USD/NTD in 2015. Such relatively higher material purchase cost in 2015 had resulted in an increase in our cost of sales as our turnkey solution being certified and recognised as revenue during the year ended 31 December 2016, for details please refer to our explanation in section headed “Financial Information — Cost of sales” in this prospectus. The drop in our gross profit margin was partially offset by the growth in our gross profit margin derived from our SME and/or Parts trading company customers for the respective year, which was mainly driven by the sales to a new customer located in the PRC. From the sales of which, we have derived a relatively higher gross profit margin by providing our turnkey solution upon the used SME and Parts possessed by our customer.

The gross profit margin of our trading of SME and Parts business was approximately 11.3%, 10.6% and 18.8% for the three years ended 31 December 2016, respectively. Details of which are explained in the section headed “Business — Our Solution and Products — Trading of SME and Parts” in this prospectus. For our sales to our overseas turnkey solution providers, we participated in the trading of used SME and Parts we acquired in the secondary market and/or from our SME manufacturer customers upon our regular assessment of our inventory on hand and pricing policy, the details of which were explained in the section headed “Business — Customers, Sales and Marketing — Pricing policy” in this prospectus, where we had recorded gross (loss)/profit margins of approximately -15.9%, -4.9% and 3.9% of our revenue derived from overseas turnkey solution provider for the three years ended 31 December 2016, respectively. Such negative gross profit margin for the year ended 31 December 2014 and 2015 was the result of two loss-making transaction with our South Korean turnkey solution provider, Customer D, for each of the two years ended 31 December 2015, respectively, subsequently we purchased another specified models of SME from whom in order to fulfil the purchase orders from our semiconductor manufacturer customers. During the Track Record Period, we had been able to derive gross profit margin of over 18% from our sales to our semiconductor manufacturer customers. Our Directors regarded the overall negative and low profit margin resulting from our sales to other turnkey solution providers as part of the operating expense and associated inventory risk borne by our Group in the course of our business operation. Alongside with such practice in our business operation, our Group has demonstrated that we were able to maintain an overall positive gross profit margin during the Track Record Period. Our Group regarded the trading of used SME and Parts with other turnkey solution providers at the price approximated to our acquisition cost without transferring the cost of sales to them will encourage other turnkey solution providers to trade their excess SME to us. Also, given the significant value per used SME purchased, the trading of our excess used SME allows our Group to release working capital to acquire other used SME with potential for higher profitability upon the provision of turnkey solution in the future. For detailed explanation of our business with our other turnkey solution providers, please refer to section headed “Business — Customers, Sales and Marketing — Overseas turnkey solution providers” in this prospectus.

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During the Track Record Period, our sales to SME and/or Parts trading company were mainly derived from the provision of our turnkey solution to the end customers of the trading companies. Due to the indirect nature of the sales, a relatively lower margin was charged by our Group on these turnkey solution. In general, we selectively traded with SME and/or Parts trading company and derived higher margins from the trading of our excess SME and/or Parts.

Year ended 31 December 2015 compared to year ended 31 December 2014

For the two years ended 31 December 2015, our overall gross profit increased from approximately NTD157.1 million to NTD215.0 million. The increase in our gross profit was in line with (i) the growth in our overall revenue as a result of aforementioned growth in the wearable device markets; and (ii) the drop in gross profit margin which was due to the aforementioned increase in our overall cost of sales.

Year ended 31 December 2016 compared to year ended 31 December 2015

For the two years ended 31 December 2016, our overall gross profit increased from approximately NTD215.0 million to NTD235.0 million. The growth in our overall revenue was the result of aforementioned growth in the wearable device markets despite the drop in gross profit margin which was due to the aforementioned reasons.

Other Income, Gains and Losses

Our other income, gains and losses mainly represented (i) bank interest income, (ii) rental income, (iii) exchange gain and loss, (iv) reversal of impairment loss on trade receivables, and (v) other sundry income. For the year ended 31 December 2014, our other gain of approximately NTD17.0 million was mainly the net effect of (i) gain on exchange of approximately NTD10.8 million due to the overall appreciation of USD/NTD during the year and (ii) other sundry income of approximately NTD5.6 million.

For the year ended 31 December 2015, our other gains of approximately NTD17.4 million was mainly the net effects of (i) the gain on exchange of approximately NTD5.7 million due to the overall appreciation of USD/NTD during the respective year, (ii) reversal of impairment loss on trade receivables of approximately NTD6.7 million, and (iii) other sundry income of approximately NTD4.8 million.

For the year ended 31 December 2016, our losses of approximately NTD10.6 million was mainly the net effects of (i) the loss on exchange of approximately NTD15.0 million due to the overall depreciation of USD/NTD during the respective year and (ii) other sundry income of approximately NTD4.3 million.

Our Group's financial performance is subject to the overall movement of the USD/NTD as substantial amount of our transactions were denominated in US dollars. Our Director considered the currency fluctuation was part of our normal operation from international trade of our Group. As our Group mainly derived revenue from our turnkey solution and made purchases of used SME and Parts in US dollars, our Directors are of the view that such currency fluctuation does not have material effect to our operation.

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of salaries and allowance, import and export expenses, travel and transportation expenses and others.

The following table sets forth a breakdown of the selling and distribution expenses during the Track Record Period:

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Salaries and allowance	15,781	24,090	22,781
Import and export expenses	7,438	9,348	8,611
Travel and transportation expenses	5,334	5,461	5,486
Others	261	850	910
	<u>28,814</u>	<u>39,749</u>	<u>37,788</u>

For the three years ended 31 December 2016, our selling and distribution expenses were approximately NTD28.8 million, NTD39.7 million and NTD37.8 million, respectively. The growth during the two years ended 31 December 2015 was mainly in line with the growth in our revenue during the respective year and the portion of relatively high discretionary employee bonus granted to administrative staff in 2015. The decrease in 2016 mainly due to the decrease in salaries and allowance for the year ended 31 December 2016 due mainly to the relatively lower discretionary employee bonus granted to our sales and marketing staff in 2016 as compared to 2015.

General and Administrative Expenses

Our Group's general and administrative expenses mainly consisted of salaries and allowance, research expenses, rent and utilities expenses, travel and entertainment expenses, listing expenses and others.

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The following table sets forth a breakdown of the general and administrative expenses during the Track Record Period:

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Salaries and allowance	29,242	63,424	55,914
Research expenses	5,078	3,652	4,514
Rent and utilities	7,527	9,895	8,938
Travelling and entertainment	8,652	10,331	11,525
Insurance	3,955	3,926	4,688
Office expenses	1,861	1,486	1,481
Legal and professional fee	1,317	674	1,395
Bank charges	476	1,248	1,470
Depreciation and amortisation	857	831	5,101
Donation	1,480	480	480
Dividend withholding tax	4,262	4,571	—
Listing expenses	—	3,038	38,976
Others	6,132	4,129	4,640
	70,839	107,685	139,122

For the years ended 31 December 2014, 2015 and 2016, our general and administrative expenses were approximately NTD70.8 million, NTD107.7 million and NTD139.1 million, respectively.

Our general and administrative expenses increased from approximately NTD70.8 million to approximately NTD107.7 million for the two years ended 31 December 2015 which grew along with the significant increase in our overall revenue during the respective year. Such increase was mainly attributable to (i) the increase in our salaries and allowance by approximately NTD34.1 million in response to the expansion of our business and the portion of relatively high discretionary employee bonus granted to administrative staff in 2015; and (ii) the recognition of listing expenses of approximately NTD3.0 million during the year.

Our general and administrative expenses increased from approximately NTD107.7 million to approximately NTD139.1 million for the two years ended 31 December 2016 which grew along with the increase in our overall revenue during the respective year. Such increase was mainly attributable to the net effect of (i) the recognition of listing expenses of approximately NTD39.0 million during the year; (ii) the decrease in salaries and allowance for the year ended 31 December 2016 due mainly to the relatively lower discretionary employee bonus granted to our administrative staff in 2016 as compared to 2015; and (iii) the increase in depreciation and amortisation cost due to the purchase of a SME for research and development purposes.

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Finance Costs

Our finance costs represented interest expenses on our bank borrowings during the Track Record Period. Such bank borrowings were obtained by our Group for general working capital needs. We had finance costs of approximately NTD7.6 million, NTD8.1 million and NTD9.0 million for the three years ended 31 December 2016, respectively.

The increasing trend of our finance costs during the Track Record Period was the result of our increased use of letter of credit in response to our increasing sales and inventory level over the Track Record Period.

Income Tax Expense

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and Anguilla, our Group is not subject to any income tax under the jurisdictions during the Track Record Period.

The effective tax rates of our Group were approximately 17.5%, 19.9% and 68.5% for each of the three years ended 31 December 2016, respectively.

Taiwan Income Tax is calculated at 17% on the estimated assessable profits for the Track Record Period.

Pursuant to the Article 66–9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, Taiwan, an additional income tax shall be charged at 10% on the undistributed surplus earnings in prior years.

Our effective tax rates for the two years ended 31 December 2015 were approximately 17.5% and 19.9% respectively. The effective tax rate for the year ended 31 December 2014 was approximate to the statutory profits tax rate in Taiwan of 17.0%. The relatively higher effective tax rate during the year ended 31 December 2015, was as a result of (i) an additional 10% of surtax imposed on undistributed amount of the net profit for the year of our Group, as a Taiwan incorporated company under partial imputed tax credit system of Taiwan and (ii) the recognition of listing expenses of approximately NTD3.0 million during the year.

Our effective tax rates for the two years ended 31 December 2016 were approximately 19.9% and 68.5% respectively. The high effective tax rate during the year ended 31 December 2016, was the results of (i) the recognition of our listing expenses of approximately NTD39.0 million which were not tax deductible, and (ii) the recognition of deferred tax liability of NTD11.6 million in relation to withholding tax imposed on an intra-group dividend of approximately NTD60.0 million from Genes Tech to Top Vitality. A 20% withholding tax is imposed on dividend declared to foreign shareholder.

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Total comprehensive income, net profit and net profit margin

Our net profit was approximately NTD55.2 million, NTD61.6 million and NTD12.1 million for the three years ended 31 December 2016, representing a net profit margin of approximately 8.1%, 6.0% and 1.0% respectively. While the growth in our net profit for the year ended 31 December 2015 was mainly attributable to the respective growth in our revenue, the overall drop in our net profit margin was generally in line with the decreasing gross profit margins and the increasing general and administrative expenses during the respective year, which have been explained above. The decreasing trend of our net profit margins and relatively lower net profit of our Group for the year ended 31 December 2016 was primarily attributable to: (i) the recognition of our listing expenses of approximately NTD39.0 million; (ii) other loss of approximately NTD10.6 million mainly due to the depreciation of USD/NTD throughout 2016; (iii) the payment of withholding tax of approximately NTD11.6 million due to the intra-group dividend declared by Genes Tech to Top Vitality, a foreign non-Taiwan resident enterprise; and (iv) the decreasing trend in our gross profit margin. Excluding the non-recurring listing expenses incurred during the respective years as a non-IFRS measure for the purpose of reflecting principally the financial performance of our Group from our usual course of business, our adjusted net profit would have become approximately NTD55.2 million, NTD64.6 million and NTD51.1 million, respectively, representing the adjusted net profit margins of approximately 8.1%, 6.3% and 4.2%, respectively.

For the year ended 31 December 2016, our Group had an other comprehensive loss of approximately NTD0.2 million, mainly being the exchange difference from the translation of financial statements of Top Vitality, of which Hong Kong Dollar is the functional currency. We have a total comprehensive income for the year attributable to owners of the Company of approximately NTD55.2 million, NTD61.6 million and NTD11.9 million for the three years ended 31 December 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the Track Record Period. Our Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

Our Group's working capital requirements mainly comprised cost of acquisitions of SME and Parts, labour costs and manufacturing overheads. Our Directors considered the listing expenses also had a material impact on the net operating cash flow of our Group during the Track Record Period. Our Group recognised listing expenses of approximately nil, NTD3.0 million and NTD39.0 million for the year ended 31 December 2014, 2015 and 2016. In terms of cash flows, our Group settled the expense by cash and reduced our operating cash flow by approximately nil, nil and NTD40.7 million for the respective years. For details, please refer to section headed "Financial Information — Cash flows — Net cash generated from and used in operating activities" in this prospectus. Upon listing, our Directors expect that our Group's capital requirements will be met by internally generated funds, bank borrowings and the net proceeds from the Share Offer. For details of our liquidity management, please refer to the section headed "Business — Customers, Sales and Marketing — Liquidity management policy" in this prospectus. Our Directors confirmed that we had not experienced any liquidity problem in settling our payables in the normal course of business and repaying our bank borrowings when they fall due during the Track Record Period. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank borrowings and we had not experienced any liquidity problem in settling our

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payables in the normal course of business and repaying our bank borrowings when they fall due. Our Directors are of the view, and our Sponsor concurs that, our Group will have sufficient working capital for its business operations for at least 12 months from the date of this prospectus under Rule 12.23A of the GEM Listing Rules.

Cash Flows

The following table presents the selected cash flows data for the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Net cash generated from/(used in) operating activities	34,560	113,555	(102,430)
Net cash used in investing activities	(5,225)	(12,163)	(30,261)
Net cash generated from/(used in) financing activities	<u>13,286</u>	<u>(57,179)</u>	<u>49,307</u>
Net increase/(decrease) in cash and cash equivalents	42,621	44,213	(83,384)
Cash and cash equivalents at the beginning of the year	75,817	118,438	162,651
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>(175)</u>
Cash and cash equivalents at the end of the year	<u><u>118,438</u></u>	<u><u>162,651</u></u>	<u><u>79,092</u></u>

Net cash generated from and used in operating activities

For the year ended 31 December 2014, our Group had net cash generated from operating activities of approximately NTD34.6 million, while our profit before income tax was approximately NTD66.9 million. The difference was mainly attributable to the net effects of (i) increase in inventories of approximately NTD163.0 million; (ii) increase in trade and bills receivables of approximately NTD47.6 million; (iii) increase in prepayments, deposits and other receivables of approximately NTD59.5 million; (iv) increase in trade payables of approximately NTD52.9 million; and (v) increase in other payables and accruals of approximately NTD164.3 million.

For the year ended 31 December 2015, our Group had net cash generated from operating activities of approximately NTD113.6 million, while our profit before income tax was approximately NTD76.8 million. The difference was mainly attributable to the net effects of (i) an increase in inventories of approximately NTD539.6 million; (ii) a decrease in trade and bills receivables of approximately NTD39.5 million; (iii) a decrease in prepayments, deposits and other receivables of approximately NTD54.7 million; (iv) a decrease in trade payables of approximately NTD39.3 million; and (v) an increase in other payables and accruals of approximately NTD476.3 million.

For the year ended 31 December 2016, our Group had net cash used in operating activities of approximately NTD102.4 million, while our profit before income tax was approximately NTD38.5 million. The difference was mainly attributable to the net effects of (i) a decrease in inventories of

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approximately NTD221.6 million; (ii) a decrease in trade and bills receivables of approximately NTD19.8 million; (iii) a decrease in prepayments, deposits and other receivables of approximately NTD25.3 million; (iv) an increase in trade payables of approximately NTD69.2 million; and (v) a significant decrease in other payables and accruals of approximately NTD495.5 million, which was mainly due to the significant drop in our receipt in advance as at 31 December 2016, details of the drop was explained under the section headed “Financial Information — Other payables and Accruals” in this prospectus. Such significant operating cash outflow during the year ended 31 December 2016 is one of the main reasons for the significant decrease in cash and cash equivalents of our Group from approximately NTD162.7 million as at 31 December 2015 to NTD79.1 million as at 31 December 2016. For details of our liquidity management, please refer to the section headed “Business — Customers, Sales and Marketing — Liquidity management policy” in this prospectus. Our Directors confirmed that we had not experienced any liquidity problem in settling our payables in the normal course of business and repaying our bank borrowings when they fall due during the Track Record Period.

Net cash used in investing activities

For the year ended 31 December 2014, our Group had net cash used in investing activities of approximately NTD5.2 million, which was mainly attributable to the combined effect of (i) the acquisition of intangible assets of approximately NTD3.3 million; and (ii) the purchase of property, plant and equipment of approximately NTD2.0 million.

For the year ended 31 December 2015, our Group had net cash used in investing activities of approximately NTD12.2 million, which was mainly attributable to the purchase of property, plant and equipment of approximately NTD11.9 million.

For the year ended 31 December 2016, our Group had net cash used in investing activities of approximately NTD30.3 million, which was mainly attributable to the purchase of property, plant and equipment of approximately NTD29.8 million.

Net cash generated from and used in financing activities

For the year ended 31 December 2014, our Group had net cash generated from financing activities of approximately NTD13.3 million, which was mainly attributable to the net effects of (i) interest payment of approximately NTD7.6 million, (ii) proceeds from bank borrowings of approximately NTD280.3 million, (iii) repayments of bank borrowings of approximately NTD230.6 million; and (iv) dividend payment of approximately NTD28.8 million.

For the year ended 31 December 2015, our Group had net cash used in financing activities of approximately NTD57.2 million, which was mainly attributable to the net effects of (i) interest payment of approximately NTD8.1 million, (ii) proceeds from bank borrowings of approximately NTD267.7 million, (iii) repayments of bank borrowings of approximately NTD293.1 million, (iv) dividend payment of approximately NTD30.0 million, and (v) advance from a shareholder of approximately NTD6.3 million.

For the year ended 31 December 2016, our Group had net cash generated from financing activities of approximately NTD49.3 million, which was mainly attributable to the net effects of (i) interest payment of approximately NTD9.0 million, (ii) proceeds from bank borrowings of approximately NTD722.6 million, (iii) repayments of bank borrowings of approximately NTD641.8 million, (iv)

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repayment to a shareholder of approximately NTD6.3 million, (v) net proceeds from our pre-IPO investments of approximately NTD32.2 million; and (vi) dividend payment of approximately NTD48.3 million settled by cash.

NET CURRENT ASSETS

The following table sets forth the current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	NTD'000	NTD'000	NTD'000	NTD'000 (unaudited)
Current assets				
Inventories	343,784	863,235	641,626	677,757
Trade and bills receivables	234,607	201,779	182,048	213,500
Prepayments, deposits and other receivables	121,588	66,913	41,586	65,459
Amounts due from shareholders	212	—	—	—
Cash and cash equivalents	<u>118,438</u>	<u>162,651</u>	<u>79,092</u>	<u>100,925</u>
	<u>818,629</u>	<u>1,294,578</u>	<u>944,352</u>	<u>1,057,641</u>
Current liabilities				
Trade payables	149,008	109,744	178,897	165,155
Other payables and accruals	271,017	781,520	304,507	379,198
Bank borrowings	286,729	267,979	301,773	333,575
Amount due to a shareholder	82	6,346	—	—
Tax payables	<u>10,674</u>	<u>5,160</u>	<u>12,975</u>	<u>17,766</u>
	<u>717,510</u>	<u>1,170,749</u>	<u>798,152</u>	<u>895,694</u>
Net current assets	<u><u>101,119</u></u>	<u><u>123,829</u></u>	<u><u>146,200</u></u>	<u><u>161,947</u></u>

As at 31 December 2014, 2015 and 2016, we had net current assets of approximately NTD101.1 million, NTD123.8 million, and NTD146.2 million, respectively.

Our net current assets increased by approximately 22.5% from approximately NTD101.1 million as at 31 December 2014 to approximately NTD123.8 million as at 31 December 2015, mainly due to the net effect of (i) our net profit for the year ended 31 December 2015 of approximately NTD61.6 million, and (ii) the declaration of dividend of NTD60.0 million during the year ended 31 December 2015.

Our net current assets increased by approximately 18.1% from approximately NTD123.8 million as at 31 December 2015 to approximately NTD146.2 million as at 31 December 2016, mainly due to the net effect of: (i) our net profit for the year ended 31 December 2016 of approximately NTD12.1 million, and (ii) the declaration and payment of interim dividend of NTD48.3 million during the year ended 31 December 2016, (iii) the purchase of property, plant and equipment of approximately NTD29.8 million,

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(iv) the increase in deferred tax assets of approximately NTD3.8 million; (v) net proceed from Pre-IPO investments of NTD32.2 million, and (vi) the net increase in total bank borrowings of NTD80.8 million. Please refer to the section headed “History, Reorganisation and Group Structure — Pre-IPO Investment” in this prospectus for details.

ANALYSIS OF VARIOUS ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

During the Track Record Period, our Group’s property, plant and equipment represented land, building, leasehold improvements and office equipment which are mainly to accommodate our staff, engineers and the storage of our inventories. As at 31 December 2014, 2015 and 2016, our property, plant and equipment amounted to approximately NTD237.3 million, NTD242.0 million, and NTD259.1 million, respectively. The carrying amount of our property, plant and equipment increased by approximately NTD4.7 million from approximately NTD237.3 million as at 31 December 2014 to approximately NTD242.0 million as at 31 December 2015. Such increase was primarily due to the net effect of (i) additions to leasehold improvements and office equipment aggregated to approximately NTD11.9 million; and (ii) depreciation charge for the year ended 31 December 2015 of approximately NTD7.2 million. The carrying amount of our property, plant and equipment increased by approximately NTD17.1 million as at 31 December 2016 which was primarily due to the net effect of (i) additions to leasehold improvements and office equipment aggregated to approximately NTD29.8 million; and (ii) depreciation charge for the year ended 31 December 2016 of approximately NTD12.7 million.

Intangible Assets

During the Track Record Period, intangible assets represented computer software for our Group’s administrative purpose. As at 31 December 2014, 2015 and 2016, our intangible assets which amounted to approximately NTD2.9 million, NTD2.6 million and NTD2.2 million, respectively, remained immaterial to our Group during the Track Record Period.

Inventories

Our inventories primarily consisted of raw materials, work-in-progress and finished goods. According to our Group’s accounting policies on inventory, our raw materials refer to the used SME and Parts purchased from our suppliers; our work-in-progress refers to the used SME and Parts during the process of refurbishment, modification, installation and testing; and finished goods refer to the used SME and Parts upon the completion of the provision of our turnkey solution while pending for customer’s acceptance certificate. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate level of inventories can help us deliver our products to meet the market demand in a timely manner without straining our liquidity.

In general, the significant inventories balance was primarily due to our relatively long refurbishment, modification, on-site installation and testing cycle as our delivered products require further on-site installation and testing. All our work in progress and finished goods are refurbished and

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modified based on the sales purchase orders entered into with, as well as specifications agreed by our customers. Upon acceptance of the goods by our customers, the corresponding inventories will be converted into cost of sales.

The following table sets forth a breakdown of our inventories balance as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Raw materials	166,620	332,137	412,085
Used SME	105,908	209,785	235,731
Parts	60,712	122,352	176,354
Work-in-progress	45,352	196,766	214,056
Used SME	45,352	196,766	214,056
Parts	—	—	—
Finished goods	131,812	334,332	15,485
Used SME	131,812	334,332	15,485
Parts	—	—	—
 Total inventories	 <u>343,784</u>	 <u>863,235</u>	 <u>641,626</u>

Our Group's inventories balance significantly increased by approximately 151.1% from approximately NTD343.8 million as at 31 December 2014 to approximately NTD863.2 million as at 31 December 2015, which was mainly due to (i) increase in our raw materials by approximately NTD165.5 million; (ii) increase in our work in progress by approximately NTD151.4 million; and (iii) increase in finished goods by approximately NTD202.5 million. Such increases were in line with the increasing trend of our revenue for the year ended 31 December 2015. Our finished goods as at year ended 31 December 2015 represented our finished goods yet to be certified.

Our Group's inventories balance decreased by approximately 25.7% from approximately NTD863.2 million as at 31 December 2015 to approximately NTD641.6 million as at 31 December 2016, which was mainly due to (i) increase in our raw materials by approximately NTD80.0 million in line with the increasing trend of our sales during the Track Record Period; (ii) increase in our work-in-progress by approximately NTD17.3 million; and (iii) significant decrease in our finished goods by approximately NTD318.8 million upon a substantial amount of the provision of our turnkey solutions was certified by our major customers and recognised as revenue.

During the Track Record Period, our Group maintained a relatively higher level of raw materials in terms of used SME and Parts, which accounted for approximately 48.5%, 38.5% and 64.2% of our overall inventory level for the three years ended 31 December 2016. In general, the raw material purchased from our suppliers would be treated as raw materials and need to go through our inspection and quality control processes before sold in terms of the provision of turnkey solution or trading of SME and Parts, as detailed under the section headed "Business — Our Solution and Products — Our business model — (iii) Procurement and quality control of used SME and Parts" in this prospectus. While we have maintained certain level of safety stock during the Track Record Period, our high level of raw materials is generally subject to the purchase orders from our customers on hand as at year end date. Given that our growing business operations during the Track Record Period, we had maintained a

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relatively high raw materials level, which were subsequently recognised as the work-in-progress and finished goods of our turnkey solution or sales of our trading of SME and Parts. As at 31 December 2016, our Group maintained a significantly higher level of raw materials in view of the purchase orders on hand from our major customers of not less than NTD700 million to be fulfilled within six months from 31 December 2016 in addition to our usual maintenance of raw materials for our safety stock purpose at the meantime. Approximately 85.6% of used SME and 30.4% of Parts in our raw materials as at 31 December 2016 were purchased upon receipt of confirmed purchase orders from our customers. As at 31 December 2016, the carrying amount of inventories of approximately NTD15.5 million was pending for customer's acceptance certificate.

As at 30 April 2017, 65.3% of our raw materials, and all of our work-in-progress and finished goods as of 31 December 2016 had been subsequently used or consumed. Significant amount of unutilised raw materials on hand are expected to be consumed to fulfil the aforementioned confirmed purchase orders on hand in terms of sales to be recognised for the six months ending 30 June 2017. Our Directors are of the view that maintaining higher level of inventory in response to the growing demand from our customers provides our Group the liquidity to fulfil the purchase orders received on a timely manner and our Directors consider that our Group has made sufficient impairment provisions up to the Latest Practicable Date.

Inventory Turnover

The following table sets forth our inventory turnover days during the Track Record Period:

	For the year ended 31 December		
	2014	2015	2016
Inventory turnover days ⁽¹⁾	182.5	267.9	274.1

Note:

- (1) The inventory turnover days for a year is the average inventory balance divided by cost of sales for that year and multiplied by 360 days for the three years ended 31 December 2016. Average inventory balance is the sum of the beginning and ending inventory balance for the relevant year divided by two.

Our inventory turnover days during the Track Record Period were approximately 182.5 days, 267.9 days and 274.1 days, respectively. Our inventory turnover days were relatively high primarily due to the relatively long time taken from receipt of purchase order, product delivery to the satisfactory completion of the on-site testing and final acceptance of our products. This entire process from receiving the purchase order to final acceptance of our products has normally taken on an average 180 days during the Track Record Period.

Our inventory turnover days increased from approximately 182.5 days for the year ended 31 December 2014 to approximately 267.9 days for the year ended 31 December 2015. Such significant increase in inventory turnover days was mainly driven by the increasing inventory level as at 31 December 2015 since our Group had to according for our inventory control, stock up more inventory in preparation for the significantly increasing incoming demand of our businesses also the finished goods of our inventory as at year ended 31 December 2015 which represented the turnkey solution and SME and Parts yet to be certified, were the major component of the high level inventory on hand as at 31 December 2015, resulting in significantly higher inventory days.

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Our inventory turnover days increased from approximately 267.9 days for the year ended 31 December 2015 to approximately 274.1 days for the year ended 31 December 2016. Such increase in inventory turnover days was mainly driven by the net effect of: (i) our significantly increased raw materials level in preparation of the aforementioned increasing incoming demand of our businesses; and (ii) a significant drop in the amount of aforementioned finished goods upon the certification by our customers subsequently.

For the three years ended 31 December 2016, provision for inventories was approximately NTD11.7 million, NTD20.2 million and nil, representing approximately 1.6%, 2.0% and nil, respectively, of our revenue for the same years. At each reporting date, we state inventory at the lower of cost and net realisable value. If the cost is higher than the net realisable value, we will make the provision for inventory losses through profit or loss. If factors that resulted in the provision for the inventory have disappeared and the net realisable value therefore became higher than the book value, we will reverse the amount of write-down, and recognise the reversed amount in the consolidated statement of comprehensive income for the current period.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the dates indicated:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Trade and bills receivables	241,408	201,861	182,048
Less: Provision for impairment loss on trade receivables	(6,801)	(82)	—
	234,607	201,779	182,048

Our trade and bills receivables represented the revenue receivables from our customers. We generally grant our major customers a credit period of 30 to 90 days. Our Group seeks to maintain strict control over its outstanding receivables, all overdue balances are reviewed regularly by our management team.

Our trade and bills receivables decreased from approximately NTD234.6 million as at 31 December 2014 to approximately NTD201.8 million as at 31 December 2015 and further decreased to approximately NTD182.0 million as at 31 December 2016. Such continuous decrease was mainly due to the improvement of the credit management of our Group upon the application our ERP system since 2014 began to take effect.

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The following table sets forth our trade receivables turnover days for the periods indicated:

	As at 31 December		
	2014	2015	2016
Trade receivables turnover days ⁽¹⁾	110.9	76.6	56.5

Note:

- (1) The trade receivables turnover days for a year is the average trade receivables balance divided by revenue for that year and multiplied by 360 days for the three years ended 31 December 2016. Average trade receivables balance is the sum of the beginning and ending trade receivables balance less the impairment losses on trade receivables for the relevant year divided by two.

Our trade receivables turnover days decreased from approximately 110.9 days as at 31 December 2014 to approximately 76.6 days as at 31 December 2015 and further decreased to approximately 56.5 days as at 31 December 2016. Such continuous decrease was mainly due to the improvement of the credit management of our Group upon the application our ERP system since 2014 began to take effect. Our Group have undertaken measures aimed at reducing our trade receivables turnover days. We regularly review our customers' payment history and also review the ageing of our trade receivables on a monthly basis.

The following table sets forth the ageing analysis of our Group's trade and bills receivables net of impairment as at the date indicated:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
0-90 days	208,643	171,777	159,742
91-180 days	17,359	7,252	13,583
181-365 days	3,746	4,601	4,504
Over 365 days	4,859	18,149	4,219
Total	234,607	201,779	182,048

The following table sets forth the ageing analysis of our trade and bills receivables that were not impaired as of the dates indicated:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Neither past due nor impaired	193,359	171,214	160,605
1-60 days past due	19,457	4,396	9,689
61-180 days past due	9,621	3,528	4,962
More than 180 days but less than 1 year past due	10,440	5,320	2,573
More than 1 year past due	1,730	17,321	4,219
	234,607	201,779	182,048

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We consider an amount that is not paid on schedule pursuant to the agreement with us to be past due. Our trade and bills receivables past due were primarily due mainly to late payments from our major customers since they normally need time to further observe the performance of the certified used SME installed by us and to process payment to our Group according to their internal procedures. As at 31 December 2014, 2015 and 2016, the amounts past due but not impaired of our trade and bills receivables were approximately NTD41.2 million, NTD30.6 million and NTD21.4 million, accounting for approximately 17.6%, 15.1% and 11.8% of our total trade and bills receivables, respectively. The decrease in the amounts past due of our trade and bills receivables as at 31 December 2016 was primarily due to the improvement of the credit management of our Group upon the application our ERP system since 2014. We do not hold any collateral against our trade receivables. We review the ageing of trade receivables on a monthly basis. Our policy for making impairment loss on trade and bills receivable is based on our regular evaluation of collectability and the ageing analysis of accounts which overdue for more than 90 days, taking into account the current creditworthiness, past collection history the level of undertaking made by our customers and the future commitment of repayment plan from our customers. As at the Latest Practicable Date, all of our trade and bills receivables as of 31 December 2016 had been subsequently settled. Of our trade and bills receivables that were past due of approximately NTD21.4 million as at 31 December 2016, all of which had been subsequently settled. The amount of our trade and bill receivables of approximately NTD4.2 million, which was more than one year past due from Customer B as at 31 December 2016 was backed by letter of credit agreements and has been fully settled subsequently.

As at 31 December 2014, 2015 and 2016, approximately NTD6.8 million, NTD82,000 and nil, respectively, of trade and bills receivables were past due and impaired.

Prepayments, Deposits and Other Receivables

The following table set forth the details of our Group's prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Prepayments	115,397	61,719	28,857
Deposits	1,658	2,212	3,650
Other receivables	4,533	2,982	9,079
	121,588	66,913	41,586

During the Track Record Period, our prepayments, deposits and other receivables mainly represented payment in advance to our suppliers from the purchases of SME and Parts, rental deposits and business tax recoverable.

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The balances of our prepayments, deposits and other receivables decreased significantly by approximately NTD54.6 million from approximately NTD121.6 million as at 31 December 2014 to approximately NTD67.0 million as at 31 December 2015, which was mainly due to the decrease in payment in advance upon the receipts of inventory from our suppliers, resulting an increase in our inventory level as at year ended 31 December 2015.

The balances of our prepayments, deposits and other receivables decreased significantly by approximately NTD25.4 million from approximately NTD67.0 million as at 31 December 2015 to approximately NTD41.6 million as at 31 December 2016, which was mainly due to the decrease in payment in advance upon the receipts of inventory from our suppliers, resulting an increase in our inventory level as at 31 December 2016, despite the increase in our other receivables by approximately NTD6.1 million as a result of increment of business tax recoverable as our sales increased in Taiwan.

Trade Payables

The following table sets forth our trade payables as of the dates indicated:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Trade payables	<u>149,008</u>	<u>109,744</u>	<u>178,897</u>

During the Track Record Period, our Group's trade payables represented our payables to suppliers for purchase of raw materials.

Our trade payables were approximately NTD149.0 million, NTD109.7 million and NTD178.9 million as at 31 December 2014, 2015 and 2016, respectively. The decrease in our trade payables as at 31 December 2015 was due to the settlement of certain amount of payables from our purchases of inventories for the respective periods. The increase in our trade payables as at 31 December 2016 was in line with the increase in our purchases of raw materials to fulfil the abovementioned confirmed purchase orders on hand.

Trade Payables Turnover

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
Trade payables turnover days ⁽¹⁾	83.4	57.4	52.6

Note:

- (1) The trade payables turnover days for a year is the average trade payables balance divided by our cost of sales for that year and multiplied by 360 days for the three years ended 31 December 2016. Average trade payables balance is the sum of the beginning and ending trade payables balance divided by two.

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We order raw materials from our suppliers through individual purchase order. The settlement terms of which generally required upfront payment of 30% of the acquisition cost upon purchase orders, payment of 60% before shipment, and 10% after acceptance by us. Settlement terms for Parts are generally made within 30–90 days after shipments of goods from our suppliers. Trade payables turnover days were approximately 83.4 days, 57.4 days and 52.6 days as at 31 December 2014, 2015 and 2016, respectively. The decrease in our trade payable turnover days was the result of the significant increase in cost of sales from approximately NTD528.8 million to NTD810.9 million to approximately NTD988.3 million during the three years ended 31 December 2016 in response to the higher demand of our business, outweighing the increase in our average trade payables during respective year.

The payment arrangements with our suppliers range from cash payment upon delivery to a credit period of up to 180 days on the purchases of goods. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	Trade payables		
	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Current or less than 1 month	70,356	43,280	177,177
1 to 3 months	65,381	51,355	1,720
More than 3 months to 1 year	11,533	12,569	—
More than 1 year	1,738	2,540	—
Total	149,008	109,744	178,897

At each reporting date, the majority of our trade payables due within 180 days. Our Directors confirmed that we did not default in payment of any trade or non-trade payables.

As at the Latest Practicable Date, approximately 97.0% of our trade payable as of 31 December 2016 had been subsequently settled.

Potential mismatch of trade receivable days and trade payable days

During the Track Record Period, our trade payable turnover days were approximately 83.4 days, 57.4 days and 52.6 days, our trade receivables turnover days were approximately 110.9 days, 76.6 days and 56.5 days, respectively. Our Group has experienced trade receivable turnover days longer than our trade payable turnover days for the years ended 31 December 2014, 2015 and 2016, resulting in a potential cash flow mismatch of trade receivable turnover days and trade payable turnover days for the respective years.

Our Directors are of the view that the above turnover days should not indicate any liquidity pressure of our Group, in view of the following: (i) the three-stage instalment payment is considered as our liquidity management policy which strengthens the liquidity position of our Group as detailed under the section headed “Business — Customers, Sales and Marketing — Liquidity management policy” in this prospectus; (ii) our Group had adequate unutilised bank borrowings during the years ended 31 December 2014, 2015 and 2016 and up to the Latest Practicable Date provide additional funding for expansion of our business, please refer to section headed “Financial Information — Bank Borrowings”

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in this prospectus; and (iii) our positive financial position from being a net current asset position during the Track Record Period, please refer to section headed “Financial Information — Net Current Assets” in this prospectus. Considering our Group has recognised increasing revenue over the Track Record Period, our finance needs were mainly incurred as a result of the purchase of additional inventory so as to undertake the increasing demand of our turnkey solution. As a result, our Directors are of the view that our Group has sufficient working capital for our future operation needs.

Other Payables and Accruals

During the Track Record Period, other payables and accruals mainly consisted of accrued expenses, other payables, provision of warranty and receipt in advance.

The following table sets forth the details of our Group’s other payables and accruals as at the dates indicated:

	At 31 December		
	2014	2015	2016
	NTD’000	NTD’000	NTD’000
Other payables	2,659	11,325	1,855
Accruals	51,015	121,509	85,243
Provision of warranty	9,118	16,418	16,922
Receipt in advance	208,225	632,268	200,487
	271,017	781,520	304,507

Our other payables and accruals were approximately NTD271.0 million, NTD781.5 million and NTD304.5 million as at 31 December 2014, 2015 and 2016, respectively. The significant increase in our other payables and accruals as at 31 December 2015 was mainly driven by (i) the increase in the receipt in advance for our turnkey solution by approximately NTD424.0 million which was in line with the finished goods of our inventory yet to be delivered as at 31 December 2015; and (ii) the increase in our accruals, being our payable of employee bonus which was in line with the growth in our revenue. The significant decrease in our other payables and accruals as at 31 December 2016 was mainly attributable to the net effect of: (i) the settlement of substantial amount of our other payables from our purchase of a SME for our research and development purposes for the respective year; (ii) the drop in our accruals as a result of the settlement of the relatively higher discretionary employee bonus granted in 2015; and (iii) the decrease in receipt in advance mainly due to the delivery and recognition of the provision of our turnkey solution during the year ended 31 December 2016.

During the Track Record Period, our customers are normally required to make instalment payments by three stages, please refer to the section headed “Business — Customers, Sales and Marketing — Salient terms of a typical sales contract entered into during the Track Record Period” in this prospectus. In general, only after our customer certified the provision of our turnkey solution can we recognise the payments received in advance from our customer as revenue according to HKAS 18 Revenue. Our receipt in advance was significantly high at approximately NTD632.3 million as at 31 December 2015 as compared to that as of 31 December 2014. The relatively high level of receipt in advance of our Group as at 31 December 2015 was mainly attributable to the increase amount of our receipts in advance of second payments (i.e. the receipts of payments up to approximately 60% to 80% of the purchase order

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value) received by our Group from our major customer as at 31 December 2015, which was in line with our significantly high inventory level of work-in-progress and finished goods as at 31 December 2015 that are yet to be certified by our customers as compared to 31 December 2014, as detailed under “Financial Information — Inventories” in this Prospectus. Such receipts in advance as at 31 December 2015 were subsequently recognised as our revenue for the year ended 31 December 2016. Our relatively low receipts in advance as at 31 December 2016 mainly consists of the receipts of first instalment payments of the purchase orders (i.e. receipts of payments up to approximately 20 to 50% of the purchase order value) from our customers as at 31 December 2016. The drop in our receipts in advance to approximately NTD200.5 million as at 31 December 2016 was in line with the relatively lower level of finished goods of our Group as 31 December 2016, as explained under “Financial Information — Inventories” in this Prospectus.

Amounts due from Shareholders

Set out below are the amounts due from shareholders at each reporting date:

	At 31 December		
	2014	2015	2016
	NTD’000	NTD’000	NTD’000
Ms. Wei	75	—	—
Mr. Yang	10	—	—
Mr. Lin	127	—	—
Amounts due from shareholders	212	—	—

As at 31 December 2014, these amounts due from our shareholders are unsecured, interest free and repayable on demand.

Our maximum outstanding amounts due from shareholders, who are also directors of the Company, during the Track Record Period are shown as follow:

	Year ended 31 December		
	2014	2015	2016
	NTD’000	NTD’000	NTD’000
Mr. Lin	127	—	—
Ms. Wei	75	—	6,362
Mr. Fan	—	—	1,063
Mr. Yang	10	—	1,982

During the Track Record Period, Top Vitality made a payment to each of our then shareholders in regard to the purchase of 15,000,000 new shares from Genes Tech according to the Reorganisation based on the requirement of MOEAIC. Each of our then shareholders then acquired an amount equal to their portion of share of Genes Tech according to the Reorganisation. As at 31 December 2016, all of our amount due from shareholders had been settled in full.

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Bank Borrowings

As at 31 December 2014, 2015 and 2016, our Group's bank borrowings represented our loans from banks in Taiwan. The following table sets forth our Group's bank borrowings as at 31 December 2014, 2015 and 2016:

	As at 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Unsecured bank borrowings	280,252	261,362	173,106
Secured long-term bank borrowings	137,425	130,948	300,000
Total bank borrowings	417,677	392,310	473,106

Our bank borrowings consisted of both secured and unsecured facilities. As at 31 December 2014, 2015 and 2016, we had bank borrowings amounted to approximately NTD417.7 million, NTD392.3 million and NTD473.1 million respectively. Our bank borrowings are carried at amortised costs. Interests are charged ranging from 0.88% to 2.31% per annum, from 1.00% to 2.53% per annum and from 1.85% to 2.30% per annum for each of the three years ended 31 December 2016.

Our long-term bank borrowing as at 31 December 2014 and 2015, with a principal amount of NTD150.0 million, is secured by land and building of our Group. The secured bank borrowing bears interest at 1.90% per annum above the bank's NTD prime rate and is repayable in 240 monthly instalments. This borrowing had been early repaid in full before 31 December 2016.

As at 31 December 2016, there are two loans with principal amounts of NTD108.0 million and NTD17.0 million, bearing interest at 1.8% per annum and repayable in 180 monthly installments. These borrowings are secured by land and building of our Group. There is a long-term unsecured loan with principal amount of NTD82.0 million, bearing interest at 2.1% per annum and repayable in 36 monthly installments.

The short term bank borrowing as at 31 December 2016 with principal amount of NTD175.0 million, bears interest at 1.90% per annum and is repayable in 12 monthly instalments. It is secured by land and building of our Group.

All the bank borrowings as at 31 December 2015 and short-term unsecured bank borrowings amounting to approximately NTD25.2 million as at 31 December 2016 were guaranteed by Mr. Yang. For details, please refer to "Relationship with Controlling Shareholders — Independence to Our Controlling Shareholders — Financial independence" in this prospectus.

As at 30 April 2017, our Group had total available banking and other facilities of approximately NTD811.4 million, of which approximately NTD502.6 million was utilised and approximately NTD9.6 million has been repaid, and approximately NTD308.8 million were unrestricted and available to be drawn down.

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Tax Payables

As at 31 December 2014, 2015 and 2016, the tax payables were approximately NTD10.7 million, NTD5.2 million and NTD13.0 million, respectively. Tax payables as at 31 December 2014, 2015 and 2016 mainly represented tax payables charged on the estimated assessable profits of our Group derived in Taiwan at a rate of 17% according to the relevant tax rules.

SELECTED KEY FINANCIAL RATIOS

	For the year ended 31 December		
	2014	2015	2016
Current ratio ¹	1.1 times	1.1 times	1.2 times
Quick ratio ²	0.7 times	0.4 times	0.4 times
Gearing ratio ³	188.7%	155.1%	190.2%
Debt to equity ratio ⁴	135.2%	93.3%	158.4%
Interest coverage ⁵	9.8 times	10.5 times	5.3 times
Return on total assets ⁶	5.2%	4.0%	1.0%
Return on equity ⁷	25.0%	24.3%	4.9%
Net profit margin ⁸	8.1%	6.0%	1.0%
Adjusted net profit margin ⁹	8.1%	6.3%	4.2%

Notes:

- (1) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year.
- (2) Quick ratio is calculated based on total current assets less inventories, prepaid lease payments and pledged bank deposits in current assets, divided by total current liabilities as of the end of the respective year.
- (3) Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end and multiplied by 100%.
- (4) Debt to equity ratio is calculated by the net debt (bank borrowings and amount due to a shareholder) net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
- (5) Interest coverage is calculated by the profit before interest and income tax divided by the interest for the respective year.
- (6) Return on total assets is calculated by the profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
- (7) Return on equity is calculated by the profit for the year divided by the total equity as at the respective year end and multiplied by 100%.
- (8) Net profit margin is calculated by the profit divided by the revenue for the respective year and multiplied by 100%.
- (9) Adjusted net profit margin is calculated by the profit for the year excluding the listing expenses divided by the revenue for the respective year and multiplied by 100% as a non-IFRS measure for the purpose of reflecting principally the financial performance of our Group from our usual course of business.

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Please refer to the paragraph headed “Financial Information — Discussion and Analysis of Financial Position and Financial Performance of our Group” in this section for a discussion on factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective years.

Current ratio

Our current ratio remained stable at approximately 1.1 times as at 31 December 2014 and 2015, and improved slightly from approximately 1.1 times as at 31 December 2015 to 1.2 times as at 31 December 2016. The decrease in our current liabilities as at 31 December 2016 outweighed the decrease in our current assets, leading to an overall increase in our net current assets as detailed under section headed “Financial Information — Net Current Assets” in this Prospectus and resulting in an increase in current ratio during the respective period.

Quick Ratio

Our quick ratio decreased from approximately 0.7 times as at 31 December 2014 to approximately 0.4 times as at 31 December 2015 and remained stable at approximately 0.4 times as at 31 December 2016. The decrease in our quick ratio reflected the significant drop in our cash and cash equivalents and increasing percentage of our inventory level in relation to our total assets, which was in line with the increasing sales of our Group during the respective years.

Gearing ratio

Our gearing ratio as at 31 December 2014, 2015 and 2016 was approximately 188.7%, 155.1% and 190.2% respectively. As at 31 December 2014, 2015 and 2016, our Group held relatively high level of indebtedness, consisting mainly of short-term borrowings and long-term borrowings from banks in Taiwan, which accounted for approximately NTD417.7 million, NTD392.3 million and NTD473.1 million, respectively. The decrease in the gearing ratio as at 31 December 2015 was mainly attributable to (i) the decrease in bank borrowings in term of the interest bearing liabilities of our Group to finance our growing operations and (ii) the increase in our total equity as the results of the net profit (net of cash dividend) during the respective year. As at 31 December 2016, the increase in our gearing ratio was due to the net increase in our total bank borrowings of approximately NTD80.8 million and the decrease in our total equity of approximately NTD4.2 million. Such decrease in our total equity was mainly due to the net effect of (i) the net proceed of approximately NTD32.2 million from our Pre-IPO investment during the respective years as detailed under the section headed “History, Reorganisation and Group Structure — Pre-IPO Investment” in this prospectus, (ii) our dividend payment of approximately NTD48.3 million and (iii) our total comprehensive income of approximately NTD11.9 million for the year ended 31 December 2016.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2014, 2015 and 2016 was approximately 135.2%, 93.3% and 158.4% respectively. The decrease in our debt to equity ratio as at 31 December 2015 was in line with the trend of our gearing ratio due to the aforementioned reasons. While the increasing trend was in line with the gearing ratio as explained above, the significant increase in our debt to equity ratio

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was also attributable to the significant drop in cash and cash equivalents of our Group during the respective years as detailed under the section headed “Financial Information — Cash Flows” in this prospectus.

In view of our Directors, such relatively high debt to equity ratio of our Group during the Track Record Period indicated our financial and liquidity needs derived from our growing business operation. Such needs consisted mainly of: (i) our short term need — to maintain our working capitals when there is any mismatch of cash inflow and outflow resulted from our growing operation; and, (ii) our long term need — to release the liquidity from the acquisition cost of our self-own land and building to accommodate our growing business operations. Alongside with our growing business operations, our Group has sought to maintain sufficient working capital by way of holding a relatively high level of bank borrowings in response to increasing purchase orders from our customers throughout the Track Record Period and any delay in the receipts of payments from our customers. To maintain our working capital sufficiency, our Group also had employed liquidity management policy as detailed under section headed “Business — Customers, Sales and Marketing — Liquidity management policy” in this prospectus.

Interest coverage

Our interest coverage ratio for the years ended 31 December 2014, 2015 and 2016 was approximately, 9.8 times, 10.5 times and 5.3 times respectively. The increased in our interest coverage as at 31 December 2015 was resulted from the increase in our profit before interest and taxation outweighed the increase of our finance cost incurred during the respective year. The significant drop in our interest coverage as at 31 December 2016 was in line with the significant drop in profit before interest and income tax of our Group during the respective years, outweighing the increase in our finance costs due to the increase in bank borrowings during the respective year.

Return on total assets

Our return on total assets was approximately 5.2%, 4.0% and 1.0% for the years ended 31 December 2014, 2015 and 2016 respectively. While the net profit increased by approximately 11.5% for the year ended 31 December 2015, the total assets recorded an increase of approximately 44.7% during the year mainly due to the increase of our inventories purchased by approximately NTD519.4 million or 151.1% financed by the significant increase in receipt in advance during the year, leading to the decrease in our return on total assets. The substantial decrease in our return on assets for the year ended 31 December 2016 was mainly due to (i) the decrease in our profit for the year as detailed under section headed “Financial Information — Total comprehensive income, net profit and net profit margin” in this prospectus; and (ii) the drop in our total assets as a result of the dividend payment of approximately NTD48.3 million during the year and the significant decrease in the amount of receipt in advance from our customers in 2016 as compared to 2015 as detailed under section headed “Financial Information — Other Payables and Accruals” in this prospectus.

Return on equity

Our return on total equity was approximately 25.0%, 24.3% and 4.9% for the years ended 31 December 2014, 2015 and 2016 respectively. The return on total equity decreased for the year ended 31 December 2015 due to the increase in our total equity due to the net effect of (i) our net profit made for the year amounting to NTD61.6 million during the year and the cash dividend of approximately

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NTD30.0 million declared during the respective year. The substantial decrease in return on total equity for the year ended 31 December 2016 was mainly due to the decrease in our profit for the year as detailed under section headed “Financial Information — Total comprehensive income, net profit and net profit margin” in this Prospectus, outweighing the decrease in our total equity during the respective years as a result of the net effect of our profit for the year and our dividend payment of approximately NTD48.3 million.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, our Group did not have any significant contingent liabilities.

LISTING EXPENSES

Based on the Offer Price of HK\$0.27 (being the mid point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Share Offer are approximately NTD95.3 million, of which approximately NTD3.0 million has been charged to our consolidated statement of comprehensive income for the year ended 31 December 2015 and approximately NTD39.0 million has been charged to our consolidated statement of comprehensive income for the year ended 31 December 2016, and approximately NTD25.6 million is expected to be charged to our consolidated statements of comprehensive income for the year ending 31 December 2017, and approximately NTD27.7 million is expected to be directly attributable to issue of Shares and accounted for as a deduction from equity upon the successful listing under the relevant accounting standards.

INDEBTEDNESS

As at the close of business on 30 April 2017, being the latest practicable date for ascertaining information regarding this indebtedness statement, our Group had the following indebtedness:

	Secured		Unsecured		Total
	Guaranteed	Non-guaranteed	Guaranteed	Non-guaranteed	
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank borrowings	—	297,222	—	195,797	493,019

Bank borrowings

As at 30 April 2017, our Group had total available banking and other facilities of approximately NTD811.4 million, of which approximately NTD502.6 million was utilised and approximately NTD9.6 million has been repaid, and approximately NTD308.8 million were unrestricted and available to be drawn down.

As at 30 April 2017, our Group’s bank borrowings of NTD297.2 million are secured by land and building of our Group with an aggregate carrying amount of NTD213.4 million. The interest rate of these bank borrowings ranged from 1.8% to 3.0% per annum.

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As at 30 April 2017, our bank borrowings were repayable as follows:

	NTD'000 (unaudited)
On demand or within 1 year	333,575
More than 1 year, but not exceeding 2 years	35,667
More than 2 years, but not exceeding 5 years	43,128
After 5 years	<u>80,649</u>
	<u>493,019</u>

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into NTD at the applicable rates of exchange at the close of business on 30 April 2017.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, our Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured guarantees or other material contingent liabilities at the close of business on 30 April 2017.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net proceeds of the Share Offer, the banking facilities available to our Group and the internally generated funds, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this prospectus.

For details of our working capitals generated from our operations and our working capital management, please refer to:

- (i) our liquidity management as detailed under section headed “Business — Customers, Sales and Marketing — Liquidity management policy” in this prospectus.
- (ii) our positive net current position during the Track Record Period, of detail under section headed “Financial Information — Net Current Assets” in this section.
- (iii) our positive cash and cash equivalent positions during the Track Record Period refer to section headed “Financial Information — Cash flows” in this section.
- (iv) the proceed from our bank borrowings during the Track Record Period refer to section headed “Financial Information — Bank Borrowings” in this section.
- (v) the proceed from our Share Offer upon Listing, refer to section headed “Business Objectives, Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

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CAPITAL EXPENDITURE

Our Group's capital expenditures principally consisted of purchase of building, leasehold improvements and office equipment. Our Group primarily fund its capital expenditures through cash flows generated from operations and bank borrowings. The following table sets forth our Group's capital expenditure during the Track Record Period:

	For the year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Building	1,010	—	138
Leasehold improvements	125	2,170	1,376
Office equipment	909	9,733	28,331
Total	2,044	11,903	29,845

OPERATING LEASE COMMITMENTS

As at 31 December 2014, 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	NTD'000	NTD'000	NTD'000	NTD'000 (unaudited)
Not later than one year	10,100	6,834	3,169	2,688
Later than one year and not later than five years	6,002	1,613	678	386
	16,102	8,447	3,847	3,074

OFF-BALANCE SHEET ARRANGEMENTS

Saved for the operating lease commitments and contingent liabilities as disclosed in the paragraphs headed "Operating Lease Commitments" and "Contingent Liabilities" in this section and the Accountants' Report set out in Appendix I to this prospectus, our Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

PROPERTY INTEREST

DTZ Cushman & Wakefield Limited, an independent property valuer, has valued our property interests as at 30 April 2017 and is of the opinion that the aggregate value of the property in which we had interest at such date was approximately NTD325.5 million. The full text of the letter, summary of valuation and valuation certificates with regard to our property interests are set out in the Valuation Report set out in Appendix III to this prospectus.

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DISTRIBUTABLE RESERVES

As at 31 December 2014, 2015 and 2016, our Company had no distributable reserves available for distribution to our Shareholders.

DIVIDEND

For the three years ended 31 December 2016, our Group declared dividends of approximately NTD28.8 million, NTD60.0 million and NTD48.3 million, respectively. The dividends were paid to our then shareholders which were settled by cash or issuance of new shares. For the year ended 31 December 2014, the dividend were settled by cash. For the year ended 31 December 2015, NTD30.0 million were settled by cash and NTD30.0 million were settled by the issuance of bonus shares. For the year ended 31 December 2016, Genes Tech, the principal subsidiary of our Group declared intra-group dividends of NTD60.0 million. The dividend was paid to Top Vitality, a direct wholly-owned subsidiary of our Company by cash. Such intra-group dividend paid to non-Taiwan resident enterprise, or profit seeking enterprise is subject to withholding tax of 20%. Subsequent to the intra-group dividend, interim dividends of approximately NTD48.3 million were declared by our Group to our then shareholders, and were fully settled by cash. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of dividend payment.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. We currently do not have a formal dividend policy or a fixed dividend distribution ratio. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operation, financial condition, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Also, according to the relevant provisions of the Taiwan Income Tax Act, a company shall withhold 20 percent of net dividends allocated to a non-Taiwan resident enterprise, or profit seeking enterprise (or an applicable lower tax rate provided by a tax treaty applicable to the company) for income tax since dividends are Taiwan source income. For further details of the relevant provisions of the Taiwan Income Tax Act, please refer to section headed "Regulatory Overview — Laws and Regulations in Taiwan — 1. Dividend and bonus distributions" in this prospectus.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rate, credit and liquidity. Please refer to Note 28 to the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of GEM Listing Rule.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the Note 26 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the section headed "Summary — Recent Development" in this prospectus, the Directors confirm that, up to the date of this Prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 December 2016, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue, the Concert Parties, Queenbest, Ever Wealth and Planeta will be interested in approximately 68.2% of the issued share capital of our Company, taking no account of the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme. Hence, the Concert Parties, Queenbest, Ever Wealth and Planeta will be our Controlling Shareholders upon Listing.

INDEPENDENCE TO OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after the Listing. Having considered the following factors, our Directors consider that, our Group is capable of carrying on our business independently of, and does not place undue reliance on our Controlling Shareholders and their respective close associates after Listing.

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. Our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. In addition, each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interests. If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall declare such interest to the Board at or prior to the meeting of the Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles and the applicable laws of the Cayman Islands. Unless otherwise provided in the Articles, the interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles.

In addition, our Group has a senior management team which is capable of carrying out the business decisions of our Group independently. None of our senior management team has any family relationship with our Controlling Shareholders or any of their respective close associates.

Three of our Board members are independent non-executive Directors who are experienced in different professions to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational independence

While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing and human resources) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors and Senior Management" in this prospectus), without unduly requiring the support of our Controlling Shareholders and their respective close associates.

Our Group holds all the trademarks and domain names that are material to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates. Our Group does not rely on our Controlling Shareholders or their associates and has independent access to our customers.

Our Group has also established a set of internal control policies and guidelines to facilitate the effective and independent operation of its business. Further details are set out in the section headed "Business — Corporate Governance Measures" in this prospectus.

Administrative independence

Our Group has our own capabilities and staff to perform all essential administrative functions, including financial and accounting management and human resources. Our senior management staff is independent of our Controlling Shareholders.

Financial independence

Our Group has our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors confirm that as at 31 December 2016, we had outstanding balance of unsecured bank borrowings of approximately NTD25.2 million guaranteed by personal guarantee of Mr. Yang (the "**Guarantee**") in his capacity as the responsible person of Genes Tech. Details of such borrowings are as set forth in note 22 to the Accountants' Report as set out in Appendix I to this prospectus. As at the Latest Practicable Date, the bank borrowings secured by the Guarantee had been repaid, and our Group's bank borrowings are now secured by our land and building.

We consider that we will be able to obtain new financings without guarantee or security from our Controlling Shareholders after the Listing and our Directors are of the view that there will be no financial dependence on our Controlling Shareholders or any of their respective close associates after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly disclosed in the section headed “Relationship with Controlling Shareholders — Non-competition Undertakings” in this prospectus), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the Listing.

NON-COMPETITION UNDERTAKINGS

None of our Directors, our Controlling Shareholders nor any of their respective close associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group or has other conflicts of interest with our Group.

To better safeguard our Group from any potential competition, each of our Controlling Shareholders has entered into the Deed of Non-Competition with our Company whereby each of our Controlling Shareholders irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and (i) our Controlling Shareholders collectively are, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Controlling Shareholder remains as our executive Director, each of our Controlling Shareholders shall, and shall procure that its/his/her respective close associates shall, except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group;
- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Controlling Shareholders (including its/his/her close associates) and our Group, in particular, a transaction between any of the relevant Controlling Shareholders (including its/his/her close associates) and our Group; and
- (d) provide as soon as practicable upon our Company’s request a written confirmation in respect of compliance by it with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company’s annual report and all such information as may be reasonably requested by our Company for its review.

In addition, each of our Controlling Shareholders hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to it/him/her or its/his/her close associates (other than

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

members of our Group), he/she/it will direct or procure the relevant close associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholders shall provide or procure its/his/her close associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he/she/it (or his/her/its close associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of our Group, he/she/it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of our Controlling Shareholders and their respective close associates (other than members of our Group) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/she/it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition; and (ii) confirm to our Company on an annual basis as to whether he/she/it has complied with such undertakings.

The Deed of Non-Competition will lapse automatically if (a) our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or more of our Shares; or (b) our Shares cease to be listed on GEM; or (c) the Concert Party Agreement expires or terminates, whichever is the earliest.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage the potential conflict of interests between us and our Controlling Shareholders, and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition;
- (ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

SUMMARY OF THE CONCERT PARTY AGREEMENT

On 22 August 2016, all the Concert Parties entered into the Concert Party Agreement on the following terms and conditions:

Voting at general meetings of our Shareholders

All the Concert Parties have agreed to vote according to the instructions from Mr. Yang at the time of exercising the voting right of our Company and vote consistently with the vote of Mr. Yang at general meetings of our Company.

Share transfers

The Concert Parties shall not dispose of his or her Shares within 12 months from the Listing Date. Any Concert Party shall not dispose of more than 50% of his or her Shares after the expiry of 12 months from the Listing Date but before the expiry of 24 months from the Listing Date.

If any Concert Party would like to dispose his or her Shares after the expiry of 12 months from the Listing Date, the relevant Concert Party shall first inform Mr. Yang in writing (the “**Written Notification**”) of the number of Shares proposed to be sold and the selling price of the Shares (the “**Agreed Price**”). Following the receipt of the Written Notification, Mr. Yang or his nominee shall have the right to purchase all or any of the Shares by giving written reply to the Written Notification (the “**Intention of Purchase**”) within five Business Days at the Agreed Price. If Mr. Yang does not indicate that he is interested to purchase the Shares or the Intention of Purchase does not cover all Shares proposed to be sold, the Concert Party issuing the Written Notification may proceed to sell all or any of the Shares (save for the Shares which Mr. Yang or his nominee agreed to purchase under the Intention of Purchase) to other third parties at such price not less than the Agreed Price.

Increase in shareholdings

Any Concert Party who wishes to increase his or her shareholding in our Company after the Listing Date shall obtain the prior written consent of Mr. Yang. All the Concert Parties agreed that if any Concert Party increases his or her shareholding in our Company after the Listing Date, he or she shall inform Mr. Yang and our Company of the number of Shares purchased and the price of such Shares within three days of such purchase. All Concert Parties shall comply with the Takeovers Code and all other applicable laws and regulations when increasing his or her shareholding in our Company.

Background of the Concert Parties

Tai Yi is a company incorporated in Taiwan and, to the knowledge of our Directors, its principal business is investment holding. It has been a major shareholder of Genes Tech since its incorporation in 2009 and will continue to be a substantial shareholder of our Company upon the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin are the core senior management and substantial shareholders of Genes Tech, who together with Tai Yi, have been in control of Genes Tech.

To the best knowledge and belief of our Directors, Tai Yi decided to invest in Genes Tech in view of the prospects and growth of the turnkey solution provider in the used semiconductor industry and such investment would be long term, and therefore it agreed to enter into the Concert Party Agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Share Offer and the Capitalisation Issue taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Shareholder</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u> <i>(note 9)</i>	<u>Approximate percentage of shareholding in our Company</u> <i>(note 9)</i>
Queenbest <i>(note 1)</i>	Beneficial interest	374,625,000 Shares (long position)	37.46%
Ever Wealth <i>(note 2)</i>	Beneficial interest	81,150,000 Shares (long position)	8.11%
Planeta <i>(note 3)</i>	Beneficial interest	63,750,000 Shares (long position)	6.38%
Mr. Yang	Beneficial owner	27,975,000 Shares (long position)	2.80%
	Interest in persons acting in concert <i>(note 4)</i>	654,075,000 Shares (long position)	65.40%
Ms. Wei	Beneficial owner	682,050,000 Shares (long position)	68.20%
	Interest in persons acting in concert <i>(note 4)</i>	19,125,000 Shares (long position)	1.91%
Mr. Fan	Beneficial owner	662,925,000 Shares (long position)	66.29%
	Interest in persons acting in concert <i>(note 4)</i>	682,050,000 Shares (long position)	68.20%
Tai Yi <i>(note 5)</i>	Beneficial owner	2,925,000 Shares (long position)	0.29%
	Interest in persons acting in concert <i>(note 4)</i>	679,125,000 Shares (long position)	67.91%
Chen Yuan-Chi (陳源基) <i>(note 6)</i>	Beneficial interest	682,050,000 Shares (long position)	68.20%
	Interest in persons acting in concert <i>(note 4)</i>	111,300,000 Shares (long position)	11.13%
	Interest in persons acting in concert <i>(note 4)</i>	570,750,000 Shares (long position)	57.07%
	Interest of a controlled corporation	682,050,000 Shares (long position) <i>(note 6)</i>	68.20%

SUBSTANTIAL SHAREHOLDERS

Shareholder	Capacity/nature of interest	Number of Shares <i>(note 9)</i>	Approximate percentage of shareholding in our Company <i>(note 9)</i>
Mr. Lin	Beneficial interest	1,200,000 Shares (long position)	0.12%
	Interest in persons acting in concert	680,850,000 Shares (long position)	68.08%
	<i>(note 4)</i>	682,050,000 Shares (long position)	68.20%
Double Solutions <i>(note 7)</i>	Beneficial interest	67,950,000 Shares (long position)	6.80%
Ms. Chan Suk Sheung Rembi <i>(note 8)</i>	Interest of a controlled corporation	67,950,000 Shares (long position) <i>(note 9)</i>	6.80%

Notes:

- Queenbest is a company incorporated in the BVI. As at the Latest Practicable Date, it was held by 45 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.02% to 7.3%.
- Ever Wealth is a company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, it was held by nine individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
- Planeta is a company incorporated in Anguilla. As at the Latest Practicable Date, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
- Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangement pertaining to their shareholding. Further information on the terms and conditions of the Concert Party Agreement is set forth in the section headed “Relationship with Controlling Shareholders — Summary of the Concert Party Agreement” in this prospectus. Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations controlled by the Concert Parties.
- Tai Yi is a company incorporated in Taiwan. As at the Latest Practicable Date, it was held by six individual shareholders. Tai Yi is a party to the Concert Party Agreement, details of which are set out in the section headed “Relationship with Controlling Shareholders — Summary of the Concert Party Agreement” in this prospectus.
- Mr. Chen Yuan-Chi (陳源基) is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these Shares pursuant to Part XV of the SFO.
- Double Solutions is incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.

SUBSTANTIAL SHAREHOLDERS

8. Ms. Chan Suk Sheung Rembi is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these Shares pursuant to Part XV of the SFO.
9. The number of Shares and the approximate shareholding percentage are based on the assumption that the Offer Size Adjustment Option is not exercised and that no Shares have been issued or allotted pursuant to the exercise of any option that may be granted under the Share Option Scheme.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Share Offer and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

UNDERTAKINGS

Undertakings by our Controlling Shareholders pursuant to the GEM Listing Rules

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares as required by Rule 13.16A(1) of the GEM Listing Rules to our Company and the Stock Exchange. For further information, please refer to the section headed “Underwriting — Undertakings — Undertakings to the Stock Exchange pursuant to the GEM Listing Rules — Undertakings by our Controlling Shareholders” in this prospectus.

Voluntary undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has voluntarily undertaken to our Company only that, he/she/it shall not (i) at any time commencing from the date which is six months after the Listing Date and ending on the date which is 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner and any shares of our holding companies in which he/she/it (individually or together with his/her/its associates or concert parties) is interested (collectively, the “**Relevant Securities**”); and (ii) at any time during the period commencing from the expiry of the first 12 months after the Listing Date and ending on the date which is 24 months after the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to own more than 50% of the Relevant Securities.

SUBSTANTIAL SHAREHOLDERS

Undertakings by our key staff

The following persons are our Directors and key management staff and who are also shareholders of Queenbest, Ever Wealth and Planeta.

Name	Position
Mr. Yang	Chairman, chief executive officer and executive director
Mr. Fan	Executive director and vice president
Ms. Wei	Executive director and chief financial officer
Mr. Lin	Head of semiconductor business department
Chou Hong-Tiao (周宏道)	Business manager of semiconductor business department
Tsai Hsieh-Chan (蔡協展)	Engineer manager of engineering department
Chen Shih-Hsien (陳世賢)	Business manager of semiconductor business department
Tseng Huan-Chang (曾煥章)	Manager of engineering department
Lin Chin-Fa (林進發)	Senior engineer of engineering department
Fan Shang-Shan (范尚聖)	Senior chief executive controller of new product department

To demonstrate their commitment to our Group, each of the persons mentioned above (other than those who are our Controlling Shareholders) has voluntarily undertaken to our Company only that, he/she shall not (i) at any time during the first 12 months after the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities; and (ii) at any time during the period of 12 months after the first 12 months after the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to own more than 50% of the Relevant Securities.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue is set out in the table below:

	HK\$
<i>Authorised share capital:</i>	
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
10,000 Shares in issue as at the date of this prospectus	100
749,990,000 Shares to be issued pursuant to the Capitalisation Issue	7,499,900
<u>250,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u> Shares	<u>10,000,000</u>
37,500,000 Shares to be issued if the Offer Size Adjustment Option is exercised in full	375,000
<u>1,037,500,000</u> Shares	<u>10,375,000</u>

ASSUMPTIONS

The table above assumes that the Share Offer becomes unconditional and the issue of Offer Shares and such number of Shares pursuant to Capitalisation Issue is made as described in this prospectus. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares, including the Shares issuable pursuant to the Offer Size Adjustment Option and the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all the Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid from the date of the allotment and issue of such Shares except for the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares with an aggregate number of such Shares not exceeding:

- (a) 20% of the total number of the Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options to be granted under the Share Option Scheme); and
- (b) the total number of the Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal with the Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of subscription rights attaching to share options under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The general mandate to issue Shares will expire:

- at the conclusion of the next annual general meeting of our Company;
- upon the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further details of the above general mandate are contained in the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on 20 June 2017” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares with an aggregate number of such Shares not exceeding 10% of the total number of the Shares in issue following the completion of the Share Offer and Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options to be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 6. Repurchase of Shares by our Company” in Appendix V to this prospectus.

The general mandate to repurchase Shares will expire:

- at the conclusion of the next annual general meeting of our Company;
- upon the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further details of the above general mandate are contained in the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on 20 June 2017” in Appendix V to this prospectus.

SHAREHOLDERS’ GENERAL MEETINGS

Please refer to the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law” in Appendix IV to this prospectus which sets out the circumstances under which general meeting and class meeting are required.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The table below shows certain information in respect of the members of our Board:

Name	Age	Position	Responsibility	Date of joining our Group	Date of appointment as Director	Relationship with other Directors or senior management
Mr. Yang Ming-Hsiang (楊名翔)	46	Executive Director, chief executive officer, chairman of our Board	Overall business strategy and development of our Group	1 December 2009	6 June 2016	Nil
Mr. Fan Chiang-Shen (范強生) (also known as Johnson Fan)	47	Executive Director and vice president	Sales and engineering of our Group	1 December 2009	28 July 2016	Nil
Ms. Wei Hung-Li (魏弘麗)	41	Executive Director, chief financial officer and compliance officer	Financial management of our Group	1 March 2011	28 July 2016	Nil
Mr. Kam Leung Ming (甘亮明)	42	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	20 June 2017	20 June 2017	Nil
Mr. Cheng Chun Shing (鄭鎮昇)	42	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	20 June 2017	20 June 2017	Nil
Mr. Ho Pak Chuen Brian (何百全)	43	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	20 June 2017	20 June 2017	Nil

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of six Directors, being three executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining business and investment plans, preparing our annual financial budgets and financial reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our independent non-executive Directors.

Executive Directors

Mr. Yang Ming-Hsiang (楊名翔), aged 46, is our executive Director, chief executive officer and chairman of our Board. Mr. Yang is primarily responsible for the overall business strategy and development of our Group. He joined our Group in December 2009 as the chief executive officer.

Mr. Yang obtained a Bachelor's degree in Engineering in June 1994 and a Master's degree in Engineering from Da-Yeh University (大葉大學) in Taiwan in June 1996. Prior to joining our Group, Mr. Yang worked in Chung Mei Pharmaceutical Co., Ltd. (中美兄弟製藥股份有限公司), a company engaging in the manufacturing of over-the-counter pharmaceuticals in Taiwan, as the assistant to general manager from August 1998 to September 2000. From November 2000 to December 2002, Mr. Yang was an engineer in Hermes-Epitek Corp. (漢民科技股份有限公司), a semi-conductor manufacturer in Taiwan. He joined Ubiquity Equipment Co., Ltd, a company engaging in providing turnkey solution services, as the sales engineer in December 2002 and was the sales manager from July 2004 to December 2009.

Under code provision A.2.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang is our chief executive officer, and he also performs as the chairman of our Board as he has considerable experience in the semiconductor industry. Our Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group.

Mr. Fan Chiang-Shen (范強生) (also known as Johnson Fan), aged 47, is our executive Director and vice president. Mr. Fan is primarily responsible for sales and engineering. He joined our Group as a manager in December 2009 and was promoted as a vice president in April 2015.

Mr. Fan graduated from National Cheng Kung University (國立成功大學) in Taiwan with a Bachelor's degree in Industrial Management Science in June 1992. He worked in Nan Shan Life Insurance Co., Ltd. (南山人壽保險股份有限公司), an insurance company in Taiwan as the marketing development specialist from September 1994 to February 1998. From May 1998 to February 2000, he was the marketing planning specialist in Eagle Star (統一人壽保險股份有限公司), an insurance company in Taiwan. From March 2000 to February 2003, Mr. Fan was an engineer in Hermes-Epitek Corp. (漢民科技股份有限公司), a semi-conductor manufacturer in Taiwan. In February 2003, he joined Ubiquity Equipment Co., Ltd, a company engaging in providing turnkey solution services, as an engineer and was the sales engineer since July 2004. He left Ubiquity Equipment Co., Ltd as the sales deputy manager in December 2009.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wei Hung-Li (魏弘麗), aged 41, is our executive Director, chief financial officer and compliance officer. Ms. Wei is primarily responsible for financial management of our Group. She joined our Group in March 2011 as the chief financial officer.

Ms. Wei obtained a Bachelor's degree in International Trade from Ta Hwa University of Science and Technology (大華科技大學) in Taiwan in June 2000. She worked in Ubiquity Equipment Co., Ltd, a company engaging in providing turnkey solution, as a senior administrator from July 2003 to September 2006, being responsible for overall administrative management. She was the control department manager in iBerlin Technology Co., Ltd. (艾柏霖科技股份有限公司), a company engaging in the manufacturing of electronic components, from January 2010 to February 2011.

Independent non-executive Directors

Mr. Kam Leung Ming (甘亮明), aged 42, was appointed as our independent non-executive Director on 20 June 2017. Mr. Kam obtained a Bachelor's degree in Accountancy and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in November 2010. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England and Wales, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Kam has over 20 years of experience in auditing, professional accounting, financial management and business administration. Mr. Kam was the company secretary of Get Nice Holdings Limited (stock code: 00064), from 28 April 2011 to 7 April 2016 and was appointed as the executive director and company secretary on 28 April 2017, a company listed on the Main Board of the Stock Exchange. He was the executive director and company secretary of Get Nice Financial Group Limited (stock code: 01469) from 24 September 2015 to 28 April 2017, a company listed on the Main Board of the Stock Exchange, where he was primarily responsible for management of the finance and accounting division as well as serving as the company secretary. Mr. Kam worked for Hutchison Harbour Ring Industries Limited, a member of Hutchison Harbour Ring Limited, a company listed on the Main Board of the Stock Exchange (now known as China Oceanwide Holdings Limited) (stock code: 00715), as the PRC finance manager from 25 April 2006 to 10 May 2007 and Mandarin Entertainment (Holdings) Limited (now known as Nine Express Limited) (stock code: 00009), a company listed on the Main Board of the Stock Exchange, as the financial controller from 1 November 2007 to 31 October 2008. He was an independent non-executive director of Casablanca Group Limited (stock code: 02223) from 1 April 2016 to 26 May 2017 and was also appointed as an independent non-executive director of Ever Harvest Group Holdings Limited (stock code: 01549) on 1 November 2016, all of the above companies are listed on the Main Board of the Stock Exchange. Mr. Kam was appointed as the committee member of Chinese People's Political Consultative Conference Shanghai Committee (Baoshan District) in December 2016.

Mr. Cheng Chun Shing (鄭鎮昇), aged 42, was appointed as our independent non-executive Director on 20 June 2017. Mr. Cheng obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 1997 in Hong Kong. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in January 2001 and was admitted a fellow member in October 2014. He has also been an associate member of the Institute of Chartered Accountants in England and Wales since January 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng has extensive experience in accounting, auditing, and corporate financial management for about 17 years. He has over 12 years of audit experience in international accounting firms. From April 2015 to 27 February 2017, Mr. Cheng was served as company secretary and chief financial officer of Royal China International Holdings Limited (皇中國際控股有限公司) (stock code: 01683), a company listed on the Main Board of the Stock Exchange. Mr. Cheng is primarily responsible for overseeing the overall financial management of our Group and company secretarial matters. Mr. Cheng was also the company secretary and group financial controller of Sustainable Forest Holdings Limited (永保林業控股有限公司) (stock code: 723), a company listed on the Main Board of the Stock Exchange, during the periods from September 2012 to September 2014 and November 2011 to December 2014, respectively, and was principally engaged in the ownership and management of forest plantation trees, the sale of timber logs, and manufacturing of engineered-wood products.

Mr. Ho Pak Chuen Brian (何百全), ages 43, was appointed as our independent non-executive Director on 20 June 2017. Mr. Ho obtained the Bachelor of Commerce degree in April 1995 and the Bachelor of Laws degree in March 1997, both from Monash University, Australia and a Master's Degree of Business Administration from the University of Sydney, Australia and University of New South Wales, Australia in January 2009. He was admitted as a barrister and solicitor of the supreme court of Victoria, Australia in 1997 and a solicitor of the High Court of Hong Kong in 2000. He became a member of CPA of Australia in 2004.

Mr. Ho has over 16 years of experience in corporate finance and law. He is currently a partner of Howse Williams Bowers, a law firm in Hong Kong. Mr. Ho was working as a Vice President — Corporate Finance at Cazenove Asia Limited, which has been acquired by Standard Chartered (Hong Kong) Limited, between 2 June 2007 and 4 February 2009, as an Associate Director and subsequently as a Director of Equity Corporate Finance Department at Standard Chartered (Hong Kong) Limited. Prior to 2007, he has worked in the corporate department of various international and local law firms in Hong Kong.

Save as disclosed above, each of our Directors has not been involved in any of the events described under Rule 17.50(2) of the GEM Listing Rules. In addition, save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Position	Responsibility	Date of joining our Group	Relationship with our Directors or other senior management
Mr. Lin Yen-Po (林衍伯)	44	Head of semiconductor business department	Oversees our engineering department	1 December 2009	Nil
Mr. Fan Shang-Shan (范尚聖) (also known as William Shang-Shan Fan)	52	Senior chief executive controller of new product business department	New business development	1 October 2012	Nil

Mr. Lin Yen-Po (林衍伯), aged 44, is our head of semiconductor business department and responsible for overseeing our engineering department. He joined our Group in December 2009.

Mr. Lin obtained a Bachelor of Science in Chemical Engineering from the National Taiwan University of Science and Technology (國立臺灣科技大學) in June 1998. Prior to joining our Group, he was an engineer in Dahin Co., Ltd. (大穎企業股份有限公司), a company engaging in the construction of channel plant from July 1998 to February 2000. From February 2000 to February 2003, Mr. Lin was an equipment and process engineer in Hermes-Epitek Corp. (漢民科技股份有限公司), a semi-conductor manufacturer in Taiwan. He joined Ubiquity Equipment Co., Ltd (佑鳴科技), a company engaging in providing turnkey solution, as the process equipment engineer and sales engineer in February 2003 and was the equipment engineering manager from September 2006 to December 2009.

Mr. Fan Shang-Shan (范尚聖) (also known as William Shang-Shan Fan), aged 52, is our senior chief executive controller of new product business department and responsible for new business development. He joined our Group in October 2012.

Mr. Fan obtained a Bachelor of Mechanical Engineering from Georgia Institute of Technology in the United States in September 1988. He was awarded a five-course professional graduate-level certificate in Executive Management by the Extension School of Harvard University in the United States in July 1995.

Mr. Fan worked in A&A Industries, Inc., a machining and metal fabrication company in the United States as the mechanical engineer in January 1989, and he left A&A Industries, Inc. in July 1997 as the senior manager. From October 1997 to December 1999, Mr. Fan was the President's Executive Assistant in Formosa Development Inc., a company engaging in construction business as a developer in Taiwan, and was responsible for assisting the president with the company's development. He was the director of manufacturing in Opnetics Corporation, a company engaging in optical fibre designed equipment in the

DIRECTORS AND SENIOR MANAGEMENT

United States from March 2000 to December 2002. From April 2003 to September 2008, he worked as the sales director of Asia-Pacific in SEMIgear, Inc., a manufacturer of semiconductor wafer processing and packaging equipment based in the United States.

Mr. Fan was the managing director of Asia in AST Products, Inc., an ophthalmic surgical products manufacturer in the United States from October 2008 to February 2009. He joined as the vice president in Applied Nano Technology Science, Inc. (應用奈米科技股份有限公司) (“ANTS”), a company engaging in component manufacturing and technology research and development of vacuum and nanotechnology applications in Taiwan in March 2009, and he worked as the president of ANTS from June 2009 to August 2011.

Save as disclosed, none of the senior management has been a director of any other listed company in the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Man Yun Wah (文潤華), aged 34, was appointed as our company secretary on 22 August 2016. He is a director and head of company secretary division of RHT Corporate Advisory (HK) Limited, a company providing company secretarial services, and his major responsibility is to provide professional company secretarial work to listed companies. Before joining RHT Corporate Advisory (HK) Limited, he worked in Dominic K.F. Chan & Co. from August 2008 to June 2015 and was responsible for providing company secretarial services.

Mr. Man is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He obtained a Bachelor's degree in Business Administration and Management from the University of Huddersfield in the United Kingdom in March 2010 and a Master's degree in Corporate Governance from the Open University of Hong Kong in November 2014.

Mr. Man has not been a director of any publicly listed company in the three years preceding the date of this prospectus.

BOARD COMMITTEES

Audit Committee

We established the Audit Committee on 20 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Cheng Chun Shing (who is the chairman), Mr. Kam Leung Ming and Mr. Ho Pak Chuen Brian. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We established the Remuneration Committee on 20 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee consists of five members, being Mr. Kam Leung Ming, Mr. Cheng Chun Shing, Mr. Ho Pak Chuen Brian, Mr. Yang and Ms. Wei. Majority of the members of the Remuneration Committee is our independent non-executive Directors. The Remuneration Committee is chaired by Mr. Kam Leung Ming. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants to the Share Option Scheme.

During the Track Record Period, the remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. In addition to the requirements of the articles of association of Genes Tech as mentioned below, any discretionary bonus and other merit payments are linked to the performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of the Remuneration Committee.

Nomination Committee

We established the Nomination Committee on 20 June 2017 with written terms of reference. The Nomination Committee consists of five members, being Mr. Yang, Mr. Cheng Chun Shing, Mr. Kam Leung Ming, Mr. Ho Pak Chuen Brian and Ms. Wei. Majority of the members of the Nomination Committee is our independent non-executive Directors. The Nomination Committee is chaired by Mr. Yang. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board.

Risk Management Committee

We have established the Risk Management Committee on 20 June 2017 to review the general goals and fundamental policies of our risk and compliance management, internal control and risk management and internal audit functions and make recommendations to our Board on the same. The Risk Management Committee comprises three members, namely Mr. Yang, Mr. Fan and Ms. Wei, all are our executive Directors. Mr. Yang is the chairman of the Risk Management Committee.

COMPENSATION OF EMPLOYEES

For each of the years ended 31 December 2014, 2015 and 2016, we incurred employee costs (including Directors' remuneration) of NTD94.2 million, NTD202.2 million and NTD147.8 million, respectively, representing 13.7%, 19.7% and 12.1%, respectively of our revenue during those periods.

DIRECTORS AND SENIOR MANAGEMENT

The articles of incorporation of Genes Tech provided that Genes Tech shall distribute not less than 10% of its profit before tax to its employees and distribute not more than 2% of its profit before tax to its directors, during the relevant year; provided, however, that the Company shall make up the losses if it has accumulated losses. We also participate in various labor-related schemes including pension, labor insurance and national health insurance. We are required under Taiwan law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees in accordance with the respective regulatory requirement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended 31 December 2014, 2015 and 2016 was approximately NTD7.9 million, NTD16.3 million and NTD12.9 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for each of the years ended 31 December 2014, 2015 and 2016 was approximately NTD12.9 million, NTD25.6 million and NTD19.0 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of each of the years ended 31 December 2014, 2015 and 2016. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances and benefits in kind) of our Directors (including the independent non-executive Directors) for the year ending 31 December 2017 is estimated to be approximately NTD16.4 million.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. For details of the Share Option Scheme, see the section headed “Statutory and General Information — D. Other information — 1. Share Option Scheme” in Appendix V to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. The compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the two full financial years ending 31 December 2019, and such appointment may be subject to extension by mutual agreement.

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

The principle business objective of our Group is to further strength our position in providing refurbished used SME in Taiwan in order to achieve sustainable growth in our business and create long-term shareholder's value.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" in this prospectus sets out a detailed description of our future plans.

REASONS FOR THE SHARE OFFER

We aim to maintain and/or enhance our capacity as a provider of turnkey solution and exporter of used SME and Parts in Taiwan and strengthen our position by capturing a larger market shares in Taiwan. During the Track Record Period, the subsidiary of our Company declared cash dividend of approximately NTD28.8 million, NTD30.0 million and NTD48.3 million for the three years ended 31 December 2016. If it had opt not to declare such significant amount of cash dividends during the Track Record Period, our Directors are of the views that our Group would have sufficient internal resources to fund a substantial part of our future plans without relying on the Share Offer proceeds. However, our Directors are of the view that the significant amount of dividend paid to our then shareholders, including our executive Directors, had been mainly of the purposes to reward and fulfil the expectation of our then shareholders of their continuous capital interests of our Group by distributing the accumulated earnings and reserves of our Group as a private company over the years, which is expected to incentivize their continuous effort and investment to our Group in the future.

After taking into account of the purchases cost of our inventories of approximately NTD614.1 million and other operating expenses of approximately NTD536.4 million incurred from the usual course of our Group (including principally the salaries and benefits of approximately NTD147.8 million, selling and distribution expense of approximately NTD15.0 million, general and administrative expense of approximately NTD44.2 million, finance cost and repayment of principal in aggregate of approximately NTD310.8 million and income tax expenses of NTD18.5 million) for the latest available financial year, the monthly operating expenses required to maintain our business operation was approximately NTD95.8 million. Such amount indicates the minimum working capital required to maintain the stable business operation of our Group going forward, assuming other things held constant. On the other hand, after taking into account of our revenue of approximately NTD1,223.3 million for the latest financial year, the monthly income generated from our operating activities was approximately NTD101.9 million, indicating an estimated monthly net income of approximately NTD6.1 million from our Group's usual operating activities. However, over the Track Record Period, our Group from time to time experienced operating cash flow mismatch from (i) the upfront payments of inventories larger than the receipts in advance, (ii) potential mismatch of trade receivable days and trade payable days, as detailed under section headed "Financial Information — Analysis of Various Items in the Consolidated Statements of Financial Position — Trade payables — Potential mismatch of trade receivable days and trade payable days" in this prospectus. While our Group only held cash and cash equivalents of approximately NTD79.1 million as at 31 December 2016, our Director are of the view that our Group fulfilled the working capital needs through a combination of cash inflow generated from our sales activities and

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

business operation with the backing of our unrestricted unutilised banking facilities as detailed under the section headed “Financial Information — Indebtedness” in this prospectus should there be any unexpected contingent financial needs and/or delays in receipt of our receivables.

During the Track Record Period, our Group has sought to sustain sufficient working capitals to support our growing business operations while maintaining a balance to meet our then shareholders’ expected return on their capital interests, resulting in a relatively high debt to equity ratio, as detailed under the section headed “Financial Information — Selected Key Financial Ratios — Debt to equity ratio” in this prospectus.

While expecting to implement our business strategies according to our future plans with the Share Offer proceeds, our Director considered that the Share Offer will broaden our Group’s capital base and provide a platform for our Group to raise fund in a recurring basis, which is not limited to the amount of net proceeds to be raised in the initial Share Offer, but also the opportunities to raise additional fund to implement our future plans. Furthermore, our Directors are of the view that Listing is going to bring the following advantages to our Group:

Provide access to additional financing sources

- **Raise Fund by way of issuing new Shares.** Listing can provide access for our Group to additional access of equity funding by means of issue of new Shares such as rights issue and open offer to suit our development needs resulting from the potential increase in number and size of our projects in the future. Listing increase corporate transparency to gain recognition from institutional funds and the investing public. Our Directors are of the view that equity financing is a more feasible fund raising method than debt financing to our Group because the financial institution, in general, would request a significant amount of deposits, securities and properties to be pledged as a condition for obtaining the financing. Given the uncertain interest rate movement going forward, our Directors believe that our Group’s financial performance and liquidity may be negatively affected due to (i) the possible increase in our Group’s principal and interest payments and (ii) our Group may expose to increasing borrowing costs in the future if our Group proceeds with debt financing to fund our Group’s business expansion. As we have already pledged our self-owned land and building for financing, if we obtain additional amount of financing in preparation to our increasing demand, the cost of which may adversely affect our liquidity which in turn limits our flexibility to execute the future plans, debt financing is less preferable. Raise fund by way of issuing new shares could minimise our exposure to interest and finance cost risks to support the growth and expansion of our Group instead of debt financing.

Increase public awareness and public interest in our Group and the services provided by us

- **Capture growth opportunities in the industry.** As set out in the section headed “Industry Overview” in the prospectus, from 2015 onwards, it is expected that the wearable devices such as smartwatches and fitness trackers market, which are manufactured on 200mm and 300mm wafers, has seen tremendous growth recently, especially in the consumer health wearable devices. It is seen as a market with most growth potential, with an estimated CAGR of 27.8% between 2015–2020. In the following ten years, semiconductor plays an important role in realising internet of things along with the “perfect storm” created by high smartphone penetration and falling technology cost. The emergence of latest wearable devices and trending sports camera are also driving up the usage and demand of IC in recent years. Hence, there is a likelihood that the worldwide semiconductor

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

manufacturers, especially in the PRC and Taiwan, may need to refurbish, modify and upgrade their SME in order to cope with different requirement and specifications of IC applicable for the aforementioned electronic devices, leading to potential growth of turnkey solution business for SME from Taiwan providers. To capture the growth opportunities, our Directors consider that it is necessary to increase our Group's capacity and operation efficiency by implementing our future plans which include recruiting additional professional staff and improving our capacities by investing in research and development. The functions of the additional professional staff to be recruited, which are able to assist our Group in increasing capacity, are set out in the paragraph headed "Use of Proceeds" in this section.

Raise our corporate profiles as a turnkey solution provider of the used SME

- **Attract potential customers, expand our customer base.** Our customers are mainly global leading semiconductor foundries. According to the Frost and Sullivan Report, the company size and working facilities (i.e. maintaining certain number of clean rooms) are important factors that the leading semiconductor manufacturers will consider when selecting their suppliers. We believe such expansion would increase our capacity, enhance our operational efficiency and elevate our image. Our Directors consider the provision of turnkey solution is not commonly known in the general public and Listing is an effective way to make our value, capability and service known to the public and help our Group to reach the potential market (other global leading semiconductor foundries) of the industry. The Listing status may also help our Group negotiate for more favourable terms with its potential customers.
- **Attract and retain staff and strengthen our supplier network.** According to Frost and Sullivan Report, due to the limited number of used SME and Parts available in market and thus high demand for specific SME models, market participants are usually in competition for SME and Parts supply in order to offer specific models of customized used SME to their customers in a timely manner. Turnkey solution provider like our Group, of good relationship with suppliers of used SME and Parts are more advantageous in maintaining the channels of raw material supply. While most of our major suppliers who are also turnkey solution providers are of smaller scale to our Group in terms of operation scale and revenue, will further their reliance on our Group, as we expand, to access to the surge of demand driven from our major customers, which include some global leading semiconductor manufacturers in Taiwan and China. For major suppliers who are trading companies of used SME and Parts, some of them are of larger scale as compared to our Group, Listing is an effective way to improve our bargaining power. Listing will also enhance the corporate image of our Group and attract and retain more experienced engineers to join our Group in preparation to the growing demand in the market.

Furthermore, the factors contributing to the Listing of our Group in Hong Kong instead of Taiwan are set out below:

(i) Sizeable market

The Hong Kong stock market outperformed Taiwan's in terms of size, market capitalisation and turnover as set out below:

- In 2016, there are 1,973 companies listed in the Stock Exchange, which is more than double as in the TWSE with 892 listed companies

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

- In 2016, the total market capitalisation of the Stock Exchange is approximately NTD99,045 billion, which is more than 3 times of the TWSE with approximately NTD27,248 billion
- In 2016, the turnover in the Stock Exchange is approximately NTD65,586 billion, which is more than three times of the TWSE with approximately NTD16,771 billion

(ii) Gateway to the Mainland market

Under current regulations, companies listed in Taiwan are not allowed to invest more than 60% of their net assets in the Mainland. For details, please refer to the section headed “Regulatory Overview — Laws and Regulations in Taiwan — 10. Investment in Mainland China” in this prospectus. Given its proximity and understanding about the Mainland, Hong Kong is an ideal venue for companies that target Mainland markets or have mainland operations. Our Group can raise funds in Hong Kong to finance the expansion of its Mainland businesses.

(ii) Sophisticated market infrastructure

Hong Kong adopts international market rules and regulations, disclosure requirements, corporate governance practices and accounting standards. Hong Kong regulations are clear to companies to be listed, either from Taiwan or other jurisdictions. There is also a presence of many well-known international investment banks, law firms, accounting firms and other related professional institutions, thus making Hong Kong an attractive service platform for our Group.

USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and combinations and other estimated expenses in connection with the Share Offer:

	<u>Assuming the Offer Size Adjustment Option is not exercised</u>	<u>Assuming the Offer Size Adjustment Option is exercised in full</u>
Offer Price of HK\$0.27 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.32 per Share	Approximately NTD174.7 million	Approximately NTD213.8 million

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Price of HK\$0.27, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.32 per Share, the Offer Size Adjustment Option is not exercised at all, of approximately NTD174.7 million as follows:

- approximately NTD46.5 million, representing approximately 26.6% of the estimated net proceeds, for building an extra floor on our existing self-owned headquarter located in Taiwan

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

- approximately NTD78.4 million, representing approximately 44.9% of the estimated net proceeds, for repaying bank loans;
- approximately NTD10.8 million, representing approximately 6.2% of the estimated net proceeds, for our research and development project corporating with ITRI and our in-house research and development;
- approximately NTD23.0 million, representing approximately 13.2% of the estimated net proceeds, for recruiting new staff for handling unrefurbished used SME and the provision of turnkey solution; and
- approximately NTD16.0 million, representing approximately 9.1% of the estimated net proceeds, for working capital of our Group.

If the Offer Size Adjustment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately NTD39.1 million, assuming that the Offer Price of HK\$0.27, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.32 per Share. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be applied pro rata to the above mentioned purposes.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described in the section headed “Business — Business Strategies” in this prospectus, set forth below are our implementation plans for each of the six-month periods until 30 June 2020. It should be noted that our implementation plans are formulated on the bases and assumptions referred to the section headed “Business Objectives, Future Plans and Use of Proceeds — Bases and Assumptions” in this prospectus. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

From the Listing Date to 31 December 2017

<u>Business strategies</u>	<u>Use of proceeds</u> (NTD million)	<u>Implementation plan</u>
Continuing effort in research and development	4.6	Settle the payment of the Research to ITRI
Recruiting new staff	1.0	We will utilise approximately (i) NTD0.7 million for hiring three senior engineers to handle SME other than the leading Japanese brand; and (ii) NTD0.3 million for hiring one senior engineer who has knowledge of MOCVD techniques
Repayment of bank loan	10.8	Repay our bank loans with interest rate of approximately 2.1% per annum (based on interest rates as at 30 April 2017 and maturity date on 30 December 2019)

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 June 2018

Business strategies	Use of proceeds (NTD million)	Implementation plan
Building an extra floor on our existing headquarter	46.5	Settle the first stage payment to the architect firm and contractors
Repayment of bank loans	13.6	Repay our bank loans with interest rate of approximately 2.1% per annum (based on interest rate as at 30 April 2017 and maturity date on 30 December 2019)
Continuing effort in research and development	2.7	Settle the payment of The Research to ITRI and for our in-house research and development
Recruiting new staff	2.4	We will utilise approximately (i) NTD1.0 million for hiring one senior engineer and two engineers to handle SME other than the leading Japanese brand; and (ii) approximately NTD1.4 million as salary expenses for the abovementioned newly recruited staff
Working capital	12.0	Deploy the funds to accommodate our working capital needs

For the six months ending 31 December 2018

Business strategies	Use of proceeds (NTD million)	Implementation plan
Continuing effort in research and development	1.2	For our in-house research and development
Recruiting new staff	2.7	We will utilise approximately (i) NTD0.3 million for hiring one senior engineer who has knowledge of MOCVD techniques; and (ii) approximately NTD2.4 million as salary expenses for the abovementioned newly recruited staff
Working capital	1.0	Deploy the funds to accommodate our working capital needs
Repayment of bank loan	13.6	Repay our bank loans with interest rate of approximately 2.1% per annum (base on interest rate as at 30 April 2016 and maturity date on 30 December 2019)

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 June 2019

Business strategies	Use of proceeds (NTD million)	Implementation plan
Continuing effort in research and development	1.2	For our in-house research and development
Recruiting new staff	4.5	We will utilise (i) NTD1.4 million for hiring four senior engineers to handle SME under the leading Japanese brand; (ii) NTD0.3 million for hiring two business development staff; and (iii) approximately NTD2.8 million as salary expenses for the abovementioned newly recruited staff
Repayment of bank loan	13.6	Repay our bank loans with interest rate of approximately 2.1% per annum (base on interest rate as at 30 April 2017 and maturity date in 30 December 2019)
Working capital	1.0	Deploy the funds to accommodate our working capital needs

For the six months ending 31 December 2019

Business strategies	Use of proceeds (NTD million)	Implementation plan
Continuing effort in research and development	1.1	For our in-house research and development
Recruiting new staff	6.2	We will utilise approximately NTD6.2 million as salary expenses for the abovementioned newly recruited staff
Working capital	1.0	Deploy the funds to accommodate our working capital needs
Repayment of bank loan	13.6	Repay our bank loans with interest rate of approximately 2.1% per annum (base on interest rate as at 30 April 2017 and maturity date in 30 December 2019)

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 June 2020

Business strategies	Use of proceeds (NTD million)	Implementation plan
Recruiting new staff	6.2	We will utilise approximately NTD6.2 million as salary expenses for the abovementioned newly recruited staff
Repayment of bank loan	13.2	Repay our bank loans with interest rate of approximately 1.8% per annum (base on interest rate as at 30 April 2017 and maturity date on 22 December 2031)
Working capital	1.0	Deploy the funds to accommodate our working capital needs

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group's future plans. Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses payable by our Group in connection with the Listing, but assuming the Offer Size Adjustment Option is not exercised) will be approximately NTD174.7 million based on an Offer Price of HK\$0.27 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.22 and HK\$0.32 per Offer Share). Our Directors intend that the net proceeds received from the Share Offer will be applied for the period from the Listing Date to 30 June 2020 as follows:

	From the Listing Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	Total	Equivalent to HKD million	% of proceeds
	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million		
Build an extra floor on our existing headquarter	—	46.5	—	—	—	—	46.5	11.6	26.6
Repay bank loans	10.8	13.6	13.6	13.6	13.6	13.2	78.4	19.6	44.9
Research and development	4.6	2.7	1.2	1.2	1.1	—	10.8	2.7	6.2
Recruiting new staff	1.0	2.4	2.7	4.5	6.2	6.2	23.0	5.8	13.2
Working capital	—	12.0	1.0	1.0	1.0	1.0	16.0	4.0	9.1
Total	<u>16.4</u>	<u>77.2</u>	<u>18.5</u>	<u>20.3</u>	<u>21.9</u>	<u>20.4</u>	<u>174.7</u>	<u>43.7</u>	<u>100</u>

BASES AND ASSUMPTIONS

The business objectives and strategies set out by our Directors are based on the following general bases and assumptions:

- (i) the net proceed from Share Offer base on the Offer Price of HK\$0.27 per Share (being the mid-point of the stated range of the Offer Price), after deducting related expenses, are estimated to be approximately NTD174.7 million;

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

- (ii) there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong which will adversely affect our Group's business;
- (iii) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (iv) there will be no material adverse change in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, economic, fiscal or market conditions in which our Group operates;
- (v) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (vi) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- (vii) there will be no change in the effectiveness of the licences and permits obtained by our Group;
- (viii) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (ix) the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;
- (x) our Group is able to maintain its customers;
- (xi) our Group will be able to retain key staff in the management and the main operational departments;
- (xii) our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way; and
- (xiii) our Group will not be adversely affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Ample Orient Capital Limited
ChaoShang Securities Limited
China-Hong Kong Link Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which it shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of our Group taken as a whole; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, Taiwan, PRC, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or

UNDERWRITING

- (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (h) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (i) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (j) any change or development involving a prospective change, or a materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (k) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (l) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or

UNDERWRITING

- (m) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (n) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (o) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (p) the chairman or president of our Company vacating his office; or
- (q) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action; or
- (r) any matter or event resulting in a material breach of any of the warranties, representations or undertakings of our Company and the Controlling Shareholders contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof by our Company and the Controlling Shareholders in the Public Offer Underwriting Agreement;

which in the sole and absolute opinion of the Sole Global Coordinator:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
 - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (ii) the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or

UNDERWRITING

- (b) any statement contained in this prospectus or the Application Forms (other than information about and statement and opinion of or made by the Sponsor, the Sole Global Coordinators and the Underwriters) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation (other than forecasts, opinion, intention or expectation of or made by the Sponsor, the Sole Global Coordinators and the Underwriters) expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole.

UNDERTAKINGS

Undertakings to the Stock Exchange Pursuant to the GEM Listing Rules

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option and any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, save as permitted under the GEM Listing Rules, he/she/it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (direct or indirect interest); and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder of our Company.

UNDERWRITING

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, he/she/it will:

- (i) when he/she/it pledges or charges any direct or indirect interest in Shares beneficially owned by his/her/its whether directly or indirectly in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and the number of Shares affected.

Undertakings under the Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement,

- (a) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor and the Sole Global Coordinator that, save as permitted under the GEM Listing Rules, he/she/it shall not and shall procure that the relevant registered holders shall not:
 - (i) in the First 12-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares, or shares of our holding companies in which he/she/it (individually or together with its associates or concert parties) is interested; and
 - (ii) in the period commencing from the expiry of the First 12-Month Period and ending on a date which is 24 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares, or shares of companies in which he/she/it (individually or together with its associates or concert parties) is interested if after such disposal, the Shares he/she/it holds are less than 50% interests in our Shares or the shares of our holding company in which he/she/it individually held.

UNDERWRITING

- (b) our Company undertakes to and covenants with the Sponsor and the Sole Global Coordinator, and each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor and the Sole Global Coordinator to procure that, save with the prior written consent of the Sole Global Coordinator (for and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Share Offer, our Company shall not, within the period of six months from the Listing Date:
- (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to an issue of Shares under the Share Option Scheme, allot or issue or agree to allot or issue any Shares or any other securities of our Company (including warrants or other convertible securities (and whether or not a class already listed));
 - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
 - (iii) purchase any securities of our Company; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of publishing an announcement in accordance with Rule 17.43 of the GEM Listing Rules.

With regard to the undertakings made pursuant to Rule 13.16A of the GEM Listing Rules, please refer to the section headed “Underwriting — Undertakings — Undertakings to the Stock Exchange Pursuant to the GEM Listing Rules” in this prospectus.

Voluntary undertakings

Voluntary undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has voluntarily undertaken to our Company only that, he/she/it shall not (i) at any time commencing from the date which is six months after the Listing Date and ending on the date which is 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities; and (ii) at any time during the period commencing from the expiry of the first 12 months after the Listing Date and ending on the date which is 24 months after the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to own more than 50% of the Relevant Securities.

UNDERWRITING

Undertakings by our key staff

The following persons are our Directors and key management staff and who are also shareholders of Queenbest, Ever Wealth and Planeta.

Name	Position
Mr. Yang	Chairman, chief executive officer and executive director
Mr. Fan	Executive director and vice president
Ms. Wei	Executive director and chief financial officer
Mr. Lin	Head of semiconductor business department
Chou Hong-Tiao (周宏道)	Business manager of semiconductor business department
Tsai Hsieh-Chan (蔡協展)	Engineer manager of engineering department
Chen Shih-Hsien (陳世賢)	Business manager of semiconductor business department
Tseng Huan-Chang (曾煥章)	Manager of engineering department
Lin Chin-Fa (林進發)	Senior engineer of engineering department
Fan Shang-Shan (范尚聖)	Senior chief executive controller of new product department

To demonstrate their commitment to our Group, each of the persons mentioned above (other than those who are our Controlling Shareholders) has voluntarily undertaken to our Company only that, he/she shall not (i) at any time during the first 12 months after the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities; and (ii) at any time during the period commencing from the expiry of the first 12 months after the Listing Date and ending on the date which is 24 months after the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to own more than 50% of the Relevant Securities.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sponsor, the Sole Global Coordinator, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” above in this section.

UNDERWRITING

Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option exercisable by the Sole Global Coordinator or its agent, on behalf of the Placing Underwriters, at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Placing Shares, representing 15% of the Offer Shares initially made available for subscription under the Share Offer, at the Offer Price, solely to cover over allocations, if any, in the Placing.

Commission and expenses

The Public Offer Underwriters are expected to receive an underwriting commission of 3.5% of the aggregate Offer Price of all the Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement, under which the Public Offer Underwriters may pay any sub-underwriting or underwriting commission in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing. The Sponsor will, in addition, receive a sponsor's fee in relation to the Listing and will be reimbursed for their expenses. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer, are currently estimated to be approximately NTD95.3 million in aggregate, equivalent to approximately HK\$23.3 million, assuming an Offer Price of HK\$0.27 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.32 per Share.

Sponsor and Underwriters' interest in our Company

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sponsorship and documentation fee payable to the Sponsor in connection with the Listing, and the fee payable to the Sponsor for its acting as our compliance adviser, none of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Price Determination Agreement having been executed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and becoming effective on the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms of that agreement or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. on the Listing Date or such other dates as the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If such conditions are not fulfilled or waived by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the dates and times specified in the Underwriting Agreements, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange and our Company's website at www.genestech.com on the next business day following such lapse. The terms on which the application money will be returned to the applicants are set out in the section headed "How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 250,000,000 Offer Shares (subject to the Offer Size Adjustment Option) will be made available under the Share Offer, of which 225,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the initial Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 25,000,000 Public Offer Shares (subject to reallocation), representing 10% of the initial Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Our Company is expected to offer initially 225,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer.

The Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Placing Underwriting Agreement, and also subject to the Offer Price being fixed by the Price Determination Agreement. Pursuant to the Placing, it is expected that the Placing Underwriters, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price to selected individual, professional and institutional investors in Hong Kong.

Allocation of the Placing Shares to selected individual, professional and institutional investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Our Company, our Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

THE PUBLIC OFFER

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong as well as institutional and professional investors under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.32 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Multiple or suspected multiple applications and any application for more than 25,000,000 Public Offer Shares (being 100% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, our Company has granted the Offer Size Adjustment Option, exercisable by the Sole Global Coordinator or its agent (for itself and on behalf of the Placing Underwriters). Under the Offer Size Adjustment Option, which will be exercisable at any time before 5:00 p.m. on the business day immediately before the date of announcement with respect to the level of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

indication of interest in the Share Offer, the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) shall have the right to require our Company to allot and issue at the Offer Price up to an aggregate of 37,500,000 additional Placing Shares, representing 15% of the Offer Shares initially made available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Share Offer and in the event that the Offer Size Adjustment Option is exercised, the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) in its sole and absolute discretion may decide to whom and the proportions in which the additional Placing Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, our Company will be required to allot and issue 37,500,000 additional Placing Shares, representing approximately 3.6% of our Company's total enlarged number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue and the exercise of the Offer Size Adjustment Option. The Placing Shares (including any excess demand) will be allocated by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) prior to the commencement of trading of the Shares on GEM.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date.

OFFER PRICE

The Offer Price, plus brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, make up the total price payable on subscription and purchase of our Offer Shares. The Offer Price will not be more than HK\$0.32 per Offer Share. The net proceeds from the Share Offer are estimated to be approximately NTD174.7 million, equivalent to approximately HK\$43.7 million (assuming an Offer Price of HK\$0.27 per Offer Share, being the mid-point of the indicative Offer Price range of between HK\$0.22 and HK\$0.32 per Offer Share and the Offer Size Adjustment Option is not exercised), after deduction of the underwriting commission and other expenses relating to the Placing and the Listing payable by our Company. Subscribers, when subscribing for the Offer Shares, shall pay the Offer Price plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. Assuming the Offer Price of HK\$0.32 or HK\$0.22 per Offer Share (being the highest and lowest prices of the indicative Offer Price range, respectively), investors shall pay HK\$3,232.25 or HK\$2,222.17 for every board lot of 10,000 Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Offer Price is expected to be determined by an agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 6 July 2017 or such later time as may be agreed between the parties.

If, for any reasons, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Monday, 10 July 2017, or the Price Determination Agreement is not signed, the Share Offer will not become unconditional and will not proceed. Prospective investors should be aware that the Offer Price may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may with the consent of our Company reduce the number of the Offer Shares initially offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the Price Determination Date. In such case, notice of the reduction in the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.genestech.com.

The level of indication of interest in the Share Offer will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.genestech.com on Thursday, 13 July 2017.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 14 July 2017. Shares will be traded in board lots of 10,000 Shares each and are freely transferable. Our Company will not issue any temporary document of title. The GEM stock code for the Shares is 8257.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares of our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 to 12:00 noon on Wednesday, 5 July 2017 from:

- (i) the office of the following parties:

Ample Orient Capital Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
ChaoShang Securities Limited	Room 4001-02, China Resources Building 26 Harbour Road Wanchai Hong Kong
China-Hong Kong Link Securities Company Limited	19/F, 80 Gloucester Road Wan Chai Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A Des Voeux Road Central Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F Aberdeen Centre Site 5 No. 6-12 Nam Ning Street Aberdeen
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F 617-623 Nathan Road Mongkok
New Territories	Tseung Kwan O Branch	Shop G37-40, G/F Hau Tak Shopping Centre East Wing Hau Tak Estate Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Wednesday, 5 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Genes Tech Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Friday, 30 June 2017 — 9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, 4 July 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 5 July 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 5 July 2017, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters

HOW TO APPLY FOR PUBLIC OFFER SHARES

nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sponsor and the Sole Global Coordinator, and any of their respective directors, officers or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the **HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 June 2017 until 11:30 a.m. on Wednesday, 5 July 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 July 2017 or such later time under the paragraph headed “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

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- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to

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become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful

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application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 June 2017: 9:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 3 July 2017: 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 4 July 2017: 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 5 July 2017: 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Wednesday, 5 July 2017.

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 5 July 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** Service Provider will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 July 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Offer Price — Determining the Offer Price” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 5 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, indications of the levels of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 13 July 2017 on our Company’s website at www.genestech.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.genestech.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 13 July 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 13 July 2017 to 12:00 midnight on Wednesday, 19 July 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 13 July 2017 to Tuesday, 18 July 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 13 July 2017 to Saturday, 15 July 2017 at all the designated branches of the receiving bank.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 25,000,000 Public Offer Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.32 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 13 July 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 13 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 14 July 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 13 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 13 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 13 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 13 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 13 July 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 13 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of Results" above on Thursday, 13 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 13 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 13 July 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 13 July 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent joint reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, and Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong.



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大華馬施雲
會計師事務所有限公司

30 June 2017

The Directors

Genes Tech Group Holdings Company Limited

Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information of Genes Tech Group Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2014, 2015 and 2016 (the “Track Record Period”), the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and the statement of financial position of the Company as at 31 December 2016, together with a summary of significant accounting policies and other explanatory notes (the “Financial Information”), prepared on the basis of presentation set out in note 2.2 to the Financial Information below, for inclusion in the prospectus of the Company dated 30 June 2017 (the “Prospectus”) in connection with the initial listing (the “Listing”) of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 June 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) as described in note 2.1 to the Financial Information, the Company has since 20 June 2017 become the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not carried on any business since the date of its incorporation.

The Group is principally engaged in the provision of turnkey solution and trading of semiconductor manufacturing equipment and parts. At the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation	Name of the auditor for 2014, 2015 and 2016
Interests held directly					
Top Vitality Limited ("Top Vitality")	Incorporated in Anguilla on 28 April 2016 as a limited liability company	1,000,000 ordinary shares of United States dollar ("USD")1 each	100%	Investment holding in the Republic of China (the "ROC")	Not applicable [#]
Interests held indirectly					
靖洋科技股份有限公司 Genes Tech Co. Limited* ("Genes Tech")	Incorporated in the ROC on 23 December 1998 as a limited liability company	15,000,000 ordinary shares of New Taiwan dollars ("NTD")10 each	100%	Provision of turnkey solution and trading of semiconductor manufacturing equipment and parts in the ROC	PricewaterhouseCoppers Taiwan

* The English name of the subsidiary established in the ROC represents the management's best effort in translating the Chinese name of such subsidiary as no English name has been registered.

No audited financial statements have been prepared for Top Vitality since its date of incorporation as it was incorporated in a country where it is not subject to statutory audit requirements under its jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company since its date of incorporation as it was newly set up and has not been involved in any significant business transactions other than the Reorganisation.

For the purpose of the Financial Information of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Group for the Track Record Period in accordance with the basis of presentation set out in note 2.2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below which conform to Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the three years ended 31 December 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information set out in this report has been prepared by the Directors based on the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2.2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION**Basis of opinion**

For the purpose of this report, we have carried out appropriate audit procedures on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation set out in note 2.2 to the Financial Information below and in accordance with the accounting policies set out in note 3 to the Financial Information below, gives a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016, and of the Company as at 31 December 2016, and of the Group's financial performance and cash flows for the Track Record Period.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Year ended 31 December		
		2014	2015	2016
		NTD'000	NTD'000	NTD'000
Revenue	6	685,966	1,025,919	1,223,294
Cost of sales		<u>(528,814)</u>	<u>(810,923)</u>	<u>(988,312)</u>
Gross profit		157,152	214,996	234,982
Other income, gains and losses	6	17,034	17,352	(10,570)
Selling and distribution expenses		(28,814)	(39,749)	(37,788)
General and administrative expenses		(70,839)	(107,685)	(139,122)
Finance costs	7	<u>(7,604)</u>	<u>(8,076)</u>	<u>(9,037)</u>
Profit before income tax	8	66,929	76,838	38,465
Income tax expense	9	<u>(11,688)</u>	<u>(15,268)</u>	<u>(26,354)</u>
Profit for the year		<u>55,241</u>	<u>61,570</u>	<u>12,111</u>
Other comprehensive loss, net of tax:				
Item that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of a foreign subsidiary		<u>—</u>	<u>—</u>	<u>(175)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>55,241</u>	<u>61,570</u>	<u>11,936</u>
Earnings per share				
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated statements of financial position

	Notes	At 31 December		
		2014	2015	2016
		NTD'000	NTD'000	NTD'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	13	237,300	241,954	259,054
Intangible assets	14	2,880	2,611	2,206
Deferred tax assets	23	10,991	8,849	12,615
		<u>251,171</u>	<u>253,414</u>	<u>273,875</u>
Current assets				
Inventories	15	343,784	863,235	641,626
Trade and bills receivables	16	234,607	201,779	182,048
Prepayments, deposits and other receivables	17	121,588	66,913	41,586
Amounts due from shareholders	18	212	—	—
Cash and cash equivalents	19	118,438	162,651	79,092
		<u>818,629</u>	<u>1,294,578</u>	<u>944,352</u>
Current liabilities				
Trade payables	20	149,008	109,744	178,897
Other payables and accruals	21	271,017	781,520	304,507
Bank borrowings	22	286,729	267,979	301,773
Amount due to a shareholder	18	82	6,346	—
Tax payables		10,674	5,160	12,975
		<u>717,510</u>	<u>1,170,749</u>	<u>798,152</u>
Net current assets		<u>101,119</u>	<u>123,829</u>	<u>146,200</u>
Total assets less current liabilities		<u>352,290</u>	<u>377,243</u>	<u>420,075</u>
Non-current liabilities				
Bank borrowings	22	130,948	124,331	171,333
Net assets		<u>221,342</u>	<u>252,912</u>	<u>248,742</u>
EQUITY				
Share capital	24	120,000	150,000	32,499
Reserves	25	101,342	102,912	216,243
Total equity		<u>221,342</u>	<u>252,912</u>	<u>248,742</u>

Statement of financial position

	At 31 December 2016 <hr/> NTD'000
ASSET	
Current asset	
Other receivable	<hr/> *
Net asset	<hr/> <hr/> *
EQUITY	
Share capital	<hr/> *
Total equity	<hr/> <hr/> *

* Amount less than NTD1,000

Consolidated statements of changes in equity

	Share capital	Statutory reserve*	Other reserve*	Exchange reserve*	Retained earnings*	Total equity
	NTD'000 (Note 24)	NTD'000 (Note 25)	NTD'000 (Note 25)	NTD'000 (Note 25)	NTD'000	NTD'000
At 1 January 2014	120,000	10,891	30,000	—	34,010	194,901
Profit for the year	—	—	—	—	55,241	55,241
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	55,241	55,241
Dividend	—	—	—	—	(28,800)	(28,800)
Transfer to statutory reserve	—	2,599	—	—	(2,599)	—
Transactions with owners	—	2,599	—	—	(31,399)	(28,800)
At 31 December 2014 and 1 January 2015	120,000	13,490	30,000	—	57,852	221,342
Profit for the year	—	—	—	—	61,570	61,570
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	61,570	61,570
Capitalisation issue	30,000	—	—	—	(30,000)	—
Dividend	—	—	(30,000)	—	—	(30,000)
Transfer to statutory reserve	—	5,613	—	—	(5,613)	—
Transactions with owners	30,000	5,613	(30,000)	—	(35,613)	(30,000)
At 31 December 2015 and 1 January 2016	150,000	19,103	—	—	83,809	252,912
Profit for the year	—	—	—	—	12,111	12,111
Other comprehensive loss	—	—	—	(175)	—	(175)
Total comprehensive income for the year	—	—	—	(175)	12,111	11,936

	<u>Share capital</u>	<u>Statutory reserve*</u>	<u>Other reserve*</u>	<u>Exchange reserve*</u>	<u>Retained earnings*</u>	<u>Total equity</u>
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 25)</i>	<i>(Note 25)</i>		
Arising from group reorganisation	(149,727)	—	149,727	—	—	—
Issue of new shares <i>(note 2.1(5))</i>	80,565	—	—	—	—	80,565
Repurchase of shares <i>(note 2.1(6))</i>	(48,339)	—	—	—	—	(48,339)
Dividend	—	—	—	—	(48,332)	(48,332)
Transfer to statutory reserve	—	5,789	—	—	(5,789)	—
Transactions with owners	<u>(117,501)</u>	<u>5,789</u>	<u>149,727</u>	<u>—</u>	<u>(54,121)</u>	<u>(16,106)</u>
At 31 December 2016	<u>32,499</u>	<u>24,892</u>	<u>149,727</u>	<u>(175)</u>	<u>41,799</u>	<u>248,742</u>

* The total of these balances represents “Reserves” in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	Year ended 31 December		
		2014	2015	2016
		NTD'000	NTD'000	NTD'000
Cash flows from operating activities				
Profit before income tax		66,929	76,838	38,465
Adjustments for:				
Interest expenses	7	7,604	8,076	9,037
Reversal of impairment loss on trade receivables	6	—	(6,719)	(82)
Write-down of inventories to net realisable value	8	11,703	20,182	—
Bank interest income	6	(112)	(140)	(87)
Bad debts written off	8	889	—	—
Provision of warranty	8	5,563	34,213	18,452
Amortisation of intangible assets	8	413	669	908
Depreciation of property, plant and equipment	8	6,444	7,249	12,745
Operating profit before working capital changes		99,433	140,368	79,438
(Increase)/Decrease in inventories		(163,026)	(539,633)	221,609
(Increase)/Decrease in trade and bills receivables		(47,586)	39,547	19,813
(Increase)/Decrease in prepayments, deposits and other receivables		(59,501)	54,675	25,327
(Advance to)/Repayment from shareholders		(212)	212	—
Increase/(Decrease) in trade payables		52,949	(39,264)	69,153
Increase/(Decrease) in other payables and accruals		164,347	476,290	(495,465)
<i>Cash generated from/(used in) operations</i>		46,404	132,195	(80,125)
Income tax paid		(11,844)	(18,640)	(22,305)
<i>Net cash generated from/(used in) operating activities</i>		<u>34,560</u>	<u>113,555</u>	<u>(102,430)</u>

	Year ended 31 December		
	2014	2015	2016
	Notes	NTD'000	NTD'000
Cash flows from investing activities			
Acquisition of intangible assets		(3,293)	(400)
Interest income		112	140
Purchase of property, plant and equipment		(2,044)	(11,903)
		<u>(2,044)</u>	<u>(11,903)</u>
<i>Net cash used in investing activities</i>		<u>(5,225)</u>	<u>(12,163)</u>
Cash flows from financing activities			
Interest paid		(7,604)	(8,076)
Proceeds from bank borrowings		280,252	267,709
Repayments of bank borrowings		(230,644)	(293,076)
Advance from/(Repayment to) a shareholder		82	6,264
Issuance of new shares	2.1(5)	—	80,565
Repurchase of shares	2.1(6)	—	(48,339)
Dividend paid		(28,800)	(48,332)
		<u>(28,800)</u>	<u>(30,000)</u>
<i>Net cash generated from/(used in) financing activities</i>		<u>13,286</u>	<u>(57,179)</u>
Net increase/(decrease) in cash and cash equivalents		42,621	44,213
Cash and cash equivalents at beginning of year		75,817	118,438
Effect of foreign exchange rate changes		<u>—</u>	<u>(175)</u>
Cash and cash equivalents at end of year		<u>118,438</u>	<u>162,651</u>
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents	19	<u>118,438</u>	<u>162,651</u>
		<u>79,092</u>	<u>79,092</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 June 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group's principal place of business is located at No. 8, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan.

The principal business of the Company is investment holding. The Group is principally engaged in the provision of turnkey solution and trading of semiconductor manufacturing equipment and parts.

The Directors consider the immediate holding company of the Group to be Queenbest Development Limited ("Queenbest"), a company incorporated in the British Virgin Islands.

2. REORGANISATION AND BASIS OF PRESENTATION

2.1 Group reorganisation

The Company and its subsidiaries now comprising the Group underwent a reorganisation as set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" to the Prospectus to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Stock Exchange. Pursuant to a reorganisation (the "Reorganisation") as described below, the Company has since 20 June 2017 become the holding company of its subsidiaries now comprising the Group. Details of the Reorganisation are summarised below:

- (1) On 6 June 2016, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares. On the same day, one share was allotted and issued to the subscriber for cash at par and the subscriber transferred the one share to Mr. Yang Ming-Hsiang ("Mr. Yang").
- (2) Top Vitality Limited ("Top Vitality") is a company incorporated in Anguilla on 28 April 2016 with an authorised share capital of 1,000,000 shares with a par value of USD1.00 each. On 17 May 2016, one share was allotted and issued to Mr. Yang at par.
- (3) On 27 June 2016, Top Vitality allotted and issued 4,247 shares, 920 shares, 723 shares, 1,262 shares, 316 shares, 217 shares, 33 shares and 14 shares at consideration of USD1 per share to Queenbest, Ever Wealth Holdings Limited ("Ever Wealth"), Planeta Investments Limited ("Planeta"), Tai-Yi Investment Co. Ltd. ("Tai Yi"), Mr. Yang, Ms. Wei Hung-Li ("Ms. Wei"), Mr. Fan Chiang-Shen ("Mr. Fan") and Mr. Lin Yen-Po ("Mr. Lin") respectively.
- (4) On 24 May 2016, each of Queenbest, Ever Wealth, Planeta, Tai Yi, Mr. Yang, Ms. Wei, Mr. Fan and Mr. Lin signed share transfer consent letter and declaration letter for transferring all of their respective shareholding amounting to 15,000,000 shares of Genes Tech to Top Vitality at a consideration of NTD15 per share. On 8 June 2016, Investment Commission, Ministry of Economic Affairs, R.O.C. ("MOEAIC") issued the approval for the above transfers.
- (5) On 4 July 2016, Top Vitality allotted and issued 2,267 shares (representing approximately 22.67% shares in issued) in Top Vitality to Double Solutions Limited ("Double Solutions") at a consideration of HK\$20,000,000 (equivalent to approximately NTD80,565,000).
- (6) On 22 August 2016, Top Vitality repurchased 1,497 shares from Double Solutions at consideration of HK\$12,000,000 (equivalent to approximately NTD48,339,000). Consequently, the shareholding of Double Solutions in Top Vitality is reduced to 770 shares (representing approximately 9.06% shares in issued).

- (7) On 20 June 2017, each of the shareholders of Top Vitality transferred all of their respective shareholdings in Top Vitality to the Company. In consideration of such transfers, the Company allotted and issued 4,995 shares, 1,082 shares, 850 shares, 1,484 shares, 372 shares, 255 shares, 39 shares, 16 shares and 906 shares to Queenbest, Ever Wealth, Planeta, Tai Yi, Mr. Yang, Ms. Wei, Mr. Fan, Mr. Lin and Double Solutions respectively, representing shareholding of approximately 49.95%, 10.82%, 8.50%, 14.84%, 3.73%, 2.55%, 0.39%, 0.16% and 9.06% respectively.

2.2 Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 20 June 2017, the Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies at the top of Genes Tech have no commercial substance and do not form a business combination. Accordingly, the Financial Information have been prepared using the principles of merger accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period have been prepared to present the financial performance, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, where applicable. The consolidated statements of financial position of the Group as of 31 December 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates taking into account the respective date of incorporation/establishment or acquisition, where applicable. All significant intra-group transactions and balances have been eliminated on combination.

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2.2 and in accordance with the accounting policies set out below which are in conformity with HKFRSs. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which were relevant to the Group and become effective during the Track Record Period. In preparing this Financial Information, the Group has adopted all these new and revised HKFRSs throughout the Track Record Period.

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements:

		Effective for annual reporting periods beginning on or after
HKFRS 10 and HKAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
HKAS 7 Amendments	Disclosure Initiative	1 January 2017
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKAS 40 Amendments	Transfers of Investment Property	1 January 2018
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9 (2014)	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 Amendments	Clarifications to HKFRS 15 Revenue Contracts with Customers	1 January 2018
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2017 or 1 January 2018, as appropriate

* On 6 January 2016, the HKICPA issued “Effective Date of Amendments to HKFRS 10 and HKAS 28”, following the International Accounting Standards Board’s equivalent amendments. This update defers/removes the effective date of the amendments in “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

The Directors anticipate that all of the pronouncements will be adopted by the Group for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the possible impact of these new or revised standards on the Group’s financial performance and financial position in the first year of application. Those new or revised HKFRSs that is expected to have material impact on the Group’s consolidated financial statements are set out below.

HKFRS 9 (2014) “Financial Instruments”

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its consolidated financial position and equity except for the effect of applying the impairment requirements of HKFRS 9. The Group will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Group does not expect a significant impact on its consolidated financial position or equity on applying the classification and measurement requirements of HKFRS 9. Trade and bills receivables, refundable deposits and other receivables, amounts due from shareholders and cash and cash equivalents are held to collect contractual cash flows and are expected to give rise to cash flows

representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under HKFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under HKFRS 9.

(b) *Impairment*

HKFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors have preliminarily assessed that the sales-related warranties cannot be purchased separately and they serve as an assurance that the products sold comply with the agreed-upon specifications. Accordingly, the Group will continue to account for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which is consistent with its current accounting treatment.

The Directors have substantially completed the assessment of the full impact of the application of HKFRS 15 on the Group’s consolidated financial statements. The Directors preliminarily concluded that applying this standard is not expected to have any significant impact on the Group’s financial position and performance. The Directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

HKFRS 16 “Leases”

For lessees, HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor

continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply HKFRS 15 at or before the date of initial application of HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of NTD3,847,000 as set out in note 27. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

Amendments to HKFRSs

The Group is still in the process of assessing the impact of these new or revised HKFRSs. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in NTD, which is same as the functional currency of the principal subsidiary of the Group, and are rounded to the nearest thousand except where otherwise indicated. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

3.2 Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group. As explained in note 2.2 above, the Reorganisation is accounted for using principles of merger accounting.

Inter-company transactions, balances and cash flows and any unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.4 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Freehold land is measured on initial recognition at cost and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less their expected residual values, using straight-line method, over their estimated useful lives, at the following rates per annum:

Building	50 years
Leasehold improvements	3–10 years
Office equipment	3–10 years

The assets' residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The estimated useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years of the underlying products, commencing from the date when the products are put into commercial production.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its liability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the liability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3.6 Impairment of non-financial assets

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, and an appropriate proportion of overheads. Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

3.8 Financial assets

The Group's financial assets mainly comprise loans and receivables including trade and bills receivables, refundable deposits and other receivables, amounts due from shareholders and cash and cash equivalents.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Company is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and bank deposits with original maturities of three months or less.

3.10 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, bank borrowings and amount due to a shareholder, which are financial liabilities at amortised cost.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.16). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss

Financial liabilities at amortised cost

These are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.11 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

3.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from leased asset are consumed.

3.13 Employee benefits*Employee leave entitlements*

Employee entitlements to long services payment and annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for long services payment and annual leave as a result of services rendered by employees up to each reporting date. Non-accumulating compensated absences are not recognised until the time of leave.

Pension obligations

The employees of the Group's major subsidiary which operates in the ROC are required to participate in a central pension scheme operated by the local government authority. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

3.14 Revenue and other income recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(a) Sale of goods

Revenue from the provision of turnkey solution and trading of semiconductor manufacturing equipment and parts is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The following additional conditions are required to be satisfied for the recognition of revenue from the provision of turnkey solution:

- delivery of products to the customers and completion of the installation and on-site testing (if required in the sales contract); and
- acceptance by the customers of the equipment without further unfulfilled obligation;

(b) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method;

and

(c) Rental income, on a time proportion basis over the lease terms.

3.15 Foreign currencies

Items included in the consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “functional currency”). The consolidated financial statements are presented in NTD (the “presentation currency”), while the functional currency of the Company is Hong Kong dollars (“HK\$”). Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The assets and liabilities of the Company are translated to NTD at exchange rates at the reporting date. The income and expenses of the Company are translated to NTD at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve in the consolidated statements of changes in equity.

3.16 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Other borrowing costs are expensed when incurred.

3.17 Income tax

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.18 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Customers have the right of return within one year pursuant to warranty provisions. The Group typically performs tests of its products prior to shipment. Occasionally, product tests performed after shipment identify yields below the level agreed with the customer. In those circumstances, the customer arrangement may provide for a reduction to the price paid by the customer or for the costs to return products and to ship replacement products to the customer. The Group estimates the amount of sales returns and the cost of replacement products based on the historical trend of returns and warranty replacements relative to sales as well as a consideration of any current information regarding specific known product defects at customers that may exceed historical trends.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

The measurement policies the Group uses for reporting segment results under HKFRS 8 *Operating Segments* are the same as those used in its financial statements prepared under HKFRSs.

3.20 Related parties

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the parent of the Company.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each reporting date based on changes in circumstances. Further details are given in note 13.

Allowance for inventories

Management carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and salable. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

Estimated current tax and deferred tax

The Group is subject to taxes in different jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

The Group has certain sales made to the customers located in the People's Republic of China (the "PRC"), in which there are relevant tax regulation governing the provision of incidental services on the sales of machinery or equipment by a non-PRC resident enterprise to a PRC resident enterprise. However, the Group is not obliged to any tax reporting nor filing requirements to the local tax authority in the PRC. In addition, the Group has certain sales made to the customers located in the United States, South Korea and Singapore. However, the Group does not have any branches, physical offices or corporate entities in these three countries and/or the risk that the installation and modification work would trigger any sales becoming taxable. Accordingly, the management of the Group exercises considerable judgement in determining no provision of the relevant enterprise income tax relating to the sales made to the customers located in the PRC, the United States, South Korea and Singapore is required as there is no present obligation, whether legal or constructive, as a result of past event for the Track Record Period.

Provision of warranty

Warranty provision is based on the estimated cost of product warranties when revenue is recognised. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognised as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

5. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. For the Track Record Period, executive directors regularly review revenue and operating results derived from provision of turnkey solution and trading of semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in the ROC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the ROC as its country of domicile. All the Group's non-current assets are principally attributable to the ROC, being the single geographical region.

The geographical location of customers is based on the location at which the services are provided. The following table provides an analysis of the Group's revenue from external customers.

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
The ROC (place of domicile)	325,440	379,469	555,293
The PRC	209,078	512,577	553,254
The United States	56,218	27,013	17,458
South Korea	21,713	57,688	34,968
Singapore	73,368	48,603	32,546
Other countries	149	569	29,775
	<u>685,966</u>	<u>1,025,919</u>	<u>1,223,294</u>

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group is as follows:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Customers			
E	100,115	N/A ¹	N/A ¹
A	102,657	503,174	325,555
B	<u>176,888</u>	<u>146,902</u>	<u>494,913</u>

¹ The corresponding did not contribute over 10% of total revenue of the Group.

6. REVENUE AND OTHER INCOME, GAINS AND LOSSES

An analysis of the revenue from the Group's principal activities and other income, gains and losses is as follows:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Revenue			
Provision of turnkey solution	629,164	881,099	1,094,222
Trading of semiconductor manufacturing equipment and parts	<u>56,802</u>	<u>144,820</u>	<u>129,072</u>
	<u>685,966</u>	<u>1,025,919</u>	<u>1,223,294</u>
Other income, gains and losses			
Bank interest income	112	140	87
Rental income	483	—	—
Gain/(Loss) on exchange	10,816	5,730	(15,045)
Reversal of impairment loss on trade receivables	—	6,719	82
Sundry income	<u>5,623</u>	<u>4,763</u>	<u>4,306</u>
	<u>17,034</u>	<u>17,352</u>	<u>(10,570)</u>
	<u>703,000</u>	<u>1,043,271</u>	<u>1,212,724</u>

7. FINANCE COSTS

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Interests on bank borrowings	7,604	8,076	9,037

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Auditor's remuneration (<i>note (a)</i>)	160	160	350
Cost of inventories recognised as expenses	511,548	756,527	969,859
Amortisation of intangible assets (<i>note (b)</i>)	413	669	908
Depreciation of property, plant and equipment (<i>note (c)</i>)	6,444	7,249	12,745
Listing expenses	—	3,038	38,976
Research expense	5,078	3,652	4,514
Bad debts written off	889	—	—
Write-down of inventories to net realisable value	11,703	20,182	—
Provision of warranty	5,563	34,213	18,452
Employee benefits expense (including directors' remuneration):			
Salaries, allowances and benefits in kind	91,011	198,755	143,046
Defined contribution retirement plan (<i>note (d)</i>)	3,148	3,441	4,758
	94,159	202,196	147,804
Minimum lease payments in respect of			
— Properties	3,970	6,346	5,222
— Office equipment	3,969	2,772	2,848

Notes:

- (a) The remuneration represents the auditor's remuneration for issuing statutory financial statements of the principal subsidiary of the Group during the Track Record Period.
- (b) Amortisation of intangible assets is included in "General and administrative expenses".
- (c) Depreciation of property, plant and equipment is included in "Cost of sales" and "General and administrative expenses".
- (d) In respect of the Group's contribution to defined contribution retirement plan, no contribution is available for reducing the Group's existing level of contribution for the years ended 31 December 2014, 2015 and 2016.

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Current tax — The ROC			
— Charge for the year	15,936	13,134	18,515
— Withholding tax	—	—	11,605
— Under/(over)-provision in respect of prior years	22	(8)	—
	<u>15,958</u>	<u>13,126</u>	<u>30,120</u>
Deferred tax			
— (Credited)/charged to the profit or loss (note 23)	(4,270)	2,142	(3,766)
	<u>11,688</u>	<u>15,268</u>	<u>26,354</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The ROC Income Tax is calculated at 17% on the estimated assessable profits for the Track Record Period.

Pursuant to the rules and regulations of the Cayman Islands and Anguilla, the Group is not subject to any income tax under the jurisdictions during the Track Record Period.

Pursuant to the Article 66–9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, the ROC, an additional income tax shall be charged at 10% on the undistributed surplus earnings in prior years.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Profit before income tax	<u>66,929</u>	<u>76,838</u>	<u>38,465</u>
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	11,378	13,062	6,539
Tax effect of non-deductible expenses	288	1,304	8,377
Tax effect of non-taxable income	—	(1,142)	(167)
Under/(over)-provision in respect of prior years	22	(8)	—
Withholding tax	—	—	11,605
Additional income tax on the undistributed surplus earnings in prior years	<u>—</u>	<u>2,052</u>	<u>—</u>
Income tax expense	<u>11,688</u>	<u>15,268</u>	<u>26,354</u>

10. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

Mr. Yang, Mr. Fan and Ms. Wei were appointed as executive directors of the Company commencing from 2016. There were no fees or other emoluments payable to executive directors and independent non-executive directors by the Company during the Track Record Period.

Certain directors received remuneration from a subsidiary now comprising the Group for their appointment as directors of this subsidiary. The remuneration of each of these directors as recorded in the financial statements of the subsidiary is set out below:

(a) Directors' remuneration

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement benefit costs</u>	<u>Total</u>
	NTD'000	NTD'000	NTD'000	NTD'000
Year ended 31 December 2014				
<i>Executive directors:</i>				
Mr. Yang	100	3,077	—	3,177
Mr. Fan	100	2,347	—	2,447
Ms. Wei	100	2,180	—	2,280
	<u>300</u>	<u>7,604</u>	<u>—</u>	<u>7,904</u>
Year ended 31 December 2015				
<i>Executive directors:</i>				
Mr. Yang	400	5,798	—	6,198
Mr. Fan	400	4,730	—	5,130
Ms. Wei	400	4,577	—	4,977
	<u>1,200</u>	<u>15,105</u>	<u>—</u>	<u>16,305</u>
Year ended 31 December 2016				
<i>Executive directors:</i>				
Mr. Yang	400	4,395	—	4,795
Mr. Fan	400	3,773	—	4,173
Ms. Wei	400	3,576	—	3,976
	<u>1,200</u>	<u>11,744</u>	<u>—</u>	<u>12,944</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid individuals

The five highest paid individuals consisted of three directors for the Track Record Period, details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining two highest paid individuals for the Track Record Period are as follows:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Salaries, allowances and benefits in kind	4,810	9,094	5,845
Retirement benefits — defined contribution retirement plans	211	215	216
Total	<u>5,021</u>	<u>9,309</u>	<u>6,061</u>

During the Track Record Period, no emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

The emoluments of the two individuals with the highest emoluments are within the following bands:

	Number of individuals		
	Year ended 31 December		
	2014	2015	2016
Nil to HK\$1,000,000	<u>2</u>	<u>—</u>	<u>2</u>
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>2</u>	<u>—</u>

(c) Senior management's emoluments

The number of senior management (excluding the Directors) whose remuneration fell within the following bands is as follows:

	Number of individuals		
	Year ended 31 December		
	2014	2015	2016
Nil to HK\$1,000,000	<u>2</u>	<u>—</u>	<u>2</u>
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>2</u>	<u>—</u>

11. DIVIDENDS

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Interim dividends, in form of:			
— cash	28,800	30,000	48,332
— bonus shares	—	30,000	—
	<u>28,800</u>	<u>60,000</u>	<u>48,332</u>

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 December 2014, 2015 and 2016 amounting to approximately NTD28,800,000, NTD60,000,000 and NTD48,332,000 respectively represented interim dividends declared by the subsidiaries of the Group to its then shareholders.

For both the year ended 31 December 2014 and the year ended 31 December 2016, the dividends were fully settled by cash.

For the year ended 31 December 2015, the dividend of NTD30,000,000 was settled by cash whereas another dividend of NTD30,000,000 was settled by issuance of bonus shares.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation, and the presentation of the financial performance of the Group for the Track Record Period on a consolidated basis as disclosed in note 2.2 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Land*	Building	Leasehold improvements	Office equipment	Total
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
At 1 January 2014					
Cost	68,983	156,907	19,414	3,463	248,767
Accumulated depreciation	—	(3,333)	(2,220)	(1,514)	(7,067)
Net carrying amount	<u>68,983</u>	<u>153,574</u>	<u>17,194</u>	<u>1,949</u>	<u>241,700</u>
Year ended 31 December 2014					
Opening net carrying amount	68,983	153,574	17,194	1,949	241,700
Additions	—	1,010	125	909	2,044
Depreciation	—	(3,089)	(2,545)	(810)	(6,444)
Closing net carrying amount	<u>68,983</u>	<u>151,495</u>	<u>14,774</u>	<u>2,048</u>	<u>237,300</u>
At 31 December 2014 and 1 January 2015					
Cost	68,983	157,917	19,539	4,372	250,811
Accumulated depreciation	—	(6,422)	(4,765)	(2,324)	(13,511)
Net carrying amount	<u>68,983</u>	<u>151,495</u>	<u>14,774</u>	<u>2,048</u>	<u>237,300</u>
Year ended 31 December 2015					
Opening net carrying amount	68,983	151,495	14,774	2,048	237,300
Additions	—	—	2,170	9,733	11,903
Depreciation	—	(3,098)	(2,221)	(1,930)	(7,249)
Closing net carrying amount	<u>68,983</u>	<u>148,397</u>	<u>14,723</u>	<u>9,851</u>	<u>241,954</u>
At 31 December 2015 and 1 January 2016					
Cost	68,983	157,917	21,709	14,105	262,714
Accumulated depreciation	—	(9,520)	(6,986)	(4,254)	(20,760)
Net carrying amount	<u>68,983</u>	<u>148,397</u>	<u>14,723</u>	<u>9,851</u>	<u>241,954</u>
Year ended 31 December 2016					
Opening net carrying amount	68,983	148,397	14,723	9,851	241,954
Additions	—	138	1,376	28,331	29,845
Depreciation	—	(3,101)	(2,764)	(6,880)	(12,745)
Closing net carrying amount	<u>68,983</u>	<u>145,434</u>	<u>13,335</u>	<u>31,302</u>	<u>259,054</u>
At 31 December 2016					
Cost	68,983	158,055	23,085	42,436	292,559
Accumulated depreciation	—	(12,621)	(9,750)	(11,134)	(33,505)
Net carrying amount	<u>68,983</u>	<u>145,434</u>	<u>13,335</u>	<u>31,302</u>	<u>259,054</u>

* The Group's land is located in the ROC and is a freehold land.

Land and building with an aggregate carrying amount of approximately NTD220,478,000, NTD217,380,000 and NTD214,417,000 of the Group are pledged to a bank to secure banking facilities granted to the Group (note 22) as at 31 December 2014, 2015 and 2016, respectively.

14. INTANGIBLE ASSETS

	Computer software
	NTD'000
Cost	
At 1 January 2014	—
Additions	3,293
At 31 December 2014 and 1 January 2015	3,293
Additions	400
At 31 December 2015 and 1 January 2016	3,693
Additions	503
At 31 December 2016	4,196
Accumulated amortisation	
At 1 January 2014	—
Amortisation provided for the year	413
At 31 December 2014 and 1 January 2015	413
Amortisation provided for the year	669
At 31 December 2015 and 1 January 2016	1,082
Amortisation provided for the year	908
At 31 December 2016	1,990
Net book value	
At 31 December 2014	2,880
At 31 December 2015	2,611
At 31 December 2016	2,206

15. INVENTORIES

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Raw materials	166,620	332,137	412,085
Work in progress	45,352	196,766	214,056
Finished goods	131,812	334,332	15,485
	343,784	863,235	641,626

Provision for inventories amounting to approximately NTD11,703,000, NTD20,182,000 and nil were made against those finished goods and raw materials with net realisable values lower than carrying values for each of the years ended 31 December 2014, 2015 and 2016, respectively.

16. TRADE AND BILLS RECEIVABLES

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Trade receivables	138,627	186,014	177,828
Less: Provision for impairment loss on trade receivables	(6,801)	(82)	—
	<u>131,826</u>	<u>185,932</u>	<u>177,828</u>
Bills receivables	102,781	15,847	4,220
	<u>234,607</u>	<u>201,779</u>	<u>182,048</u>

The Group normally allows credit period ranging from 30 to 90 days to its major customers. As at each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

The ageing analysis of trade and bills receivables, based on invoice dates, as at each reporting date, is as follows:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
1–30 days	192,645	146,483	145,126
31–90 days	15,998	25,294	14,616
91–180 days	17,359	7,252	13,583
181–365 days	3,746	4,601	4,504
Over 1 year	4,859	18,149	4,219
	<u>234,607</u>	<u>201,779</u>	<u>182,048</u>

Some of the trade receivables that were not impaired are past due as at each reporting date. Ageing analysis of trade receivables not impaired is as follows:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Neither past due nor impaired	193,359	171,214	160,605
1–60 days past due	19,457	4,396	9,689
61–180 days past due	9,621	3,528	4,962
181–365 days past due	10,440	5,320	2,573
Over 1 year past due	1,730	17,321	4,219
	<u>234,607</u>	<u>201,779</u>	<u>182,048</u>

Trade receivables that were not yet past due and that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The below table reconciled the impairment loss of trade receivables as at each reporting date:

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>NTD'000</u>	<u>NTD'000</u>	<u>NTD'000</u>
At the beginning of reporting period	6,801	6,801	82
Recovery of impairment loss previously recognised	—	(6,719)	(82)
At the end of reporting period	<u>6,801</u>	<u>82</u>	<u>—</u>

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both individual and collective basis. Trade receivables of approximately NTD6,801,000, NTD82,000 and nil as at 31 December 2014, 2015 and 2016, respectively, have been identified by the Group as having impairment issue, and are considered irrecoverable by management after consideration of the credit quality of those customers, the ongoing relationship with the Group and the ageing of those receivables.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>NTD'000</u>	<u>NTD'000</u>	<u>NTD'000</u>
Prepayments	115,397	61,719	28,857
Deposits	1,658	2,212	3,650
Other receivables	4,533	2,982	9,079
	<u>121,588</u>	<u>66,913</u>	<u>41,586</u>

18. AMOUNTS DUE FROM/(TO) SHAREHOLDERS

The amounts are unsecured, interest-free, non-trade in nature and repayable on demand.

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>NTD'000</u>	<u>NTD'000</u>	<u>NTD'000</u>
Mr. Yang	10	—	—
Ms. Wei	75	—	—
Mr. Lin	127	—	—
Amounts due from shareholders	<u>212</u>	<u>—</u>	<u>—</u>

The maximum outstanding amounts due from shareholders, who are also the Directors, during the Track Record Period are shown as follow:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Mr. Yang	10	—	1,982
Mr. Fan	—	—	1,063
Ms. Wei	75	—	6,362
Mr. Lin	127	—	—
	<u>127</u>	<u>—</u>	<u>—</u>

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks. Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

Ageing analysis of trade payables, based on invoice dates, as at each reporting date is shown as follow:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Current or less than 1 month	70,356	43,280	177,177
1 to 3 months	65,381	51,355	1,720
More than 3 months to 1 year	11,533	12,569	—
More than 1 year	1,738	2,540	—
	<u>149,008</u>	<u>109,744</u>	<u>178,897</u>

21. OTHER PAYABLES AND ACCRUALS

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Other payables	2,659	11,325	1,855
Accruals	51,015	121,509	85,243
Provision of warranty	9,118	16,418	16,922
Receipt in advance	208,225	632,268	200,487
	<u>271,017</u>	<u>781,520</u>	<u>304,507</u>

22. BANK BORROWINGS

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Current			
Bank borrowings — unsecured (<i>note (a)</i>)	280,252	261,362	91,106
Bank borrowings — secured (<i>note (e)</i>)	—	—	175,000
Current portion of long-term bank borrowing — unsecured (<i>note (d)</i>)	—	—	27,334
Current portion of long-term bank borrowing — secured (<i>notes (b) and (c)</i>)	6,477	6,617	8,333
	<u>286,729</u>	<u>267,979</u>	<u>301,773</u>
Non-current			
Long-term borrowing, unsecured (<i>note (d)</i>)	—	—	54,666
Long-term borrowings, secured (<i>notes (b) and (c)</i>)	130,948	124,331	116,667
	<u>130,948</u>	<u>124,331</u>	<u>171,333</u>

Notes:

- (a) The bank borrowings are carried at amortised cost. Interests are charged at rate ranging from 0.88% to 2.31% per annum, 1.00% to 2.53% per annum and from 1.85% to 2.30% per annum as at 31 December 2014, 2015 and 2016 respectively.
- (b) The long-term bank borrowing as at 31 December 2014 and 2015, with a principal amount of NTD150,000,000, was secured by land and building (note 13) of the Group. The secured bank borrowing bore interest at 1.90% per annum above the bank's NTD prime rate and was repayable in 240 monthly instalments. This borrowing had been early repaid in full before 31 December 2016.
- (c) As at 31 December 2016, there are two loans with principal amounts of NTD108,000,000 and NTD17,000,000, bearing interest at 0.74% per annum above the bank's NTD prime rate and repayable in 180 monthly installments. These borrowings are secured by land and building of the Group (note 13).
- (d) The unsecured loan with a principal amount of NTD82,000,000 bears interest at 1.04% per annum above the bank's NTD prime rate and is repayable in 36 monthly installments.
- (e) The short-term borrowing at 31 December 2016 with a principal amount of NTD175,000,000, is secured by land and building of the Group (note 13). It bears interest at 0.84% per annum above the bank's NTD prime rate and is repayable in 12 monthly installments.
- (f) All the bank borrowings as at 31 December 2014 and 2015 and short-term unsecured bank borrowings amounting to approximately NTD25,155,000 as at 31 December 2016 were guaranteed by Mr. Yang (note 26).

As at each reporting date, total current and non-current bank borrowings were repayable as follows:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Current			
On demand or within 1 year	286,729	267,979	301,773
More than 1 year, but not exceeding 2 years	6,617	6,741	35,667
More than 2 years, but not exceeding 5 years	20,601	20,985	52,333
After 5 years	103,730	96,605	83,333
	<u>417,677</u>	<u>392,310</u>	<u>473,106</u>

23. DEFERRED TAXATION

The movements of the deferred tax assets and deferred tax liabilities during the Track Record Period are shown as follows:

	Unrealised exchange difference	Provision for bad debts	Provision for goods return and discount	Provision for obsolete inventories	Provision for warranty	Deferred gross profits	Others	Total
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
At 1 January 2014	(1,368)	824	185	670	1,272	5,138	—	6,721
Credited/(Charged) to profit or loss	<u>31</u>	<u>(1)</u>	<u>(185)</u>	<u>1,989</u>	<u>278</u>	<u>2,158</u>	<u>—</u>	<u>4,270</u>
At 31 December 2014 and 1 January 2015	(1,337)	823	—	2,659	1,550	7,296	—	10,991
(Charged)/Credited to profit or loss	<u>(3,032)</u>	<u>—</u>	<u>—</u>	<u>3,431</u>	<u>1,241</u>	<u>(4,141)</u>	<u>359</u>	<u>(2,142)</u>
At 31 December 2015 and 1 January 2016	(4,369)	823	—	6,090	2,791	3,155	359	8,849
Credited/(Charged) to profit or loss	<u>4,163</u>	<u>(823)</u>	<u>—</u>	<u>—</u>	<u>86</u>	<u>(2,360)</u>	<u>2,700</u>	<u>3,766</u>
At 31 December 2016	<u>(206)</u>	<u>—</u>	<u>—</u>	<u>6,090</u>	<u>2,877</u>	<u>795</u>	<u>3,059</u>	<u>12,615</u>

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and deferred tax liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Deferred tax assets	12,328	13,218	12,821
Deferred tax liabilities	<u>(1,337)</u>	<u>(4,369)</u>	<u>(206)</u>
Deferred tax assets, net	<u>10,991</u>	<u>8,849</u>	<u>12,615</u>

24. SHARE CAPITAL

The Company was incorporated on 6 June 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, 1 share was allotted and issued, credited as fully paid, to the initial subscriber and was subsequently transferred to Mr. Yang. There was no authorised and issued share capital as at 31 December 2015 as the Company has not yet been incorporated.

Pursuant to resolutions in writing of all the Company's shareholders passed on 20 June 2017, the Company's authorised share capital was increased from HK\$38,000,000 divided into 38,000,000 ordinary shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 ordinary shares.

As at 31 December 2014 and 2015, the balance of share capital represented the paid-up capital of Genes Tech. As at 31 December 2016, the balance of share capital represented the total of paid-up capital of the Company and Top Vitality.

25. RESERVES**Statutory reserve**

In accordance with the Taiwan Companies Act, the Company's principal subsidiary incorporated in the ROC is required to appropriate 10% of the annual profit after income tax and (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the ROC to the statutory reserve until the balance of the reserve fund reaches the amount equal to the entity's registered capital. The statutory reserve shall be provided until the reserve equals the entity's paid-in-capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or shares for the portion in excess of 25% of the paid-in-capital if the entity incurs no loss.

Other reserve

Other reserve represents the difference between the nominal values of the paid-up capitals of the subsidiaries of the restructured group and the purchase consideration under the Reorganisation.

Exchange reserve

The exchange reserve represents the exchange differences relating to the translation of the net assets of the Group's foreign subsidiary from its functional currency to the Group's presentation currency in NTD. The exchange differences are recognised directly in other comprehensive income and accumulated in the exchange reserve.

26. RELATED PARTY TRANSACTIONS

The Group carried out the following transactions with its related parties during the Track Record Period:

- (a) All bank borrowings as at 31 December 2014 and 2015 and short-term unsecured bank borrowings amounting to approximately NTD25,155,000 as at 31 December 2016 were guaranteed by Mr. Yang. The outstanding balances of bank borrowings as at 31 December 2014, 2015 and 2016 are detailed in note 22.

The bank borrowings guaranteed by Mr. Yang had been fully repaid in February 2017.

- (b) Compensation of key management personnel

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Short-term employee benefits			
— salaries, allowances and benefits in kind	9,999	20,572	18,083
Post-employment benefits			
— defined contribution retirement plans	90	111	216
	<u>10,089</u>	<u>20,683</u>	<u>18,299</u>

27. OPERATING LEASES**Leases as lessee**

The Group leases properties and office equipment under non-cancellable operating lease agreement. The lease terms are between 0.5 and 5 years. The agreements do not include an extension option.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Within one year	10,100	6,834	3,169
In the second to fifth years	6,002	1,613	678
	<u>16,102</u>	<u>8,447</u>	<u>3,847</u>

28. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly interest rate risk), foreign currency risk, credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statements of financial position at the reporting date may also be categorised as follows (see notes 3.8 and 3.10 for explanations on how the category of financial instruments affects their subsequent measurement):

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Financial assets			
Loans and receivables			
Trade and bills receivables	234,607	201,779	182,048
Amounts due from shareholders	212	—	—
Refundable deposits and other receivables	6,191	5,194	12,729
Cash and cash equivalents	<u>118,438</u>	<u>162,651</u>	<u>79,092</u>
	<u>359,448</u>	<u>369,624</u>	<u>273,869</u>
Financial liabilities			
Financial liabilities at amortised cost			
Trade payables	149,008	109,744	178,897
Amount due to a shareholder	82	6,346	—
Other payables and accruals	53,674	132,834	87,098
Bank borrowings	<u>417,677</u>	<u>392,310</u>	<u>473,106</u>
	<u>620,441</u>	<u>641,234</u>	<u>739,101</u>

Foreign currency risk

The Group's businesses are principally carried out in the ROC and the majority of assets and liabilities of the Group are denominated in NTD and USD.

- (i) Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk related primarily to the operations of its subsidiary in the ROC. The currency giving rise to this risk is primarily the USD. The Group currently does not have a foreign currency hedging policy. However, the directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise. The Group's exposure to risk resulting from changes in foreign exchange rate of other currencies is considered immaterial.

The carrying amounts of the Group's foreign currency denominated net monetary assets at each reporting date are as follows:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Net monetary assets denominated in USD	<u>6,670</u>	<u>72,783</u>	<u>10,364</u>

- (ii) Sensitivity analysis

The sensitivity analysis on currency risk includes monetary financial assets that are denominated in USD. The following table indicates the approximate effect on the result after income tax in the next accounting period in response to reasonably possible changes in an exchange rate to which the Group has significant exposure at each reporting date.

	Decrease in profit after income tax and retained earnings		
	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Functional currency appreciated by 5% USD	<u>(268)</u>	<u>(3,020)</u>	<u>(430)</u>

A 5% depreciation in the functional currencies of the Group and the respective group companies against respective foreign currencies would have the same magnitude on profit after income tax and retained earnings but of opposite effect.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates principally to its cash at banks and bank borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. The cash at banks and bank borrowings bear floating interest rates and are primarily denominated in NTD. The interest rates and/or terms of repayment of cash at banks and bank borrowings of the Group are disclosed in notes 19 and 22, respectively. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's profit after income tax for each of the years ended 31 December 2014, 2015 and 2016 and other components of equity at those dates due to a possible change in interest rates on its floating rate cash at banks and bank borrowings with all other variables held constant at each reporting date:

	Year ended 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
	(Decrease)/Increase in profit after income tax and retained earnings		
Increase/Decrease in basis points ("bp")			
+ 50 bp	(1,242)	(953)	(1,635)
- 50 bp	1,242	953	1,635

The above sensitivity analysis is prepared based on the assumption that the cash at banks and bank borrowings as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve months period.

Credit risk

The Group's financial assets are summarised in the note above. No other financial assets carry a significant exposure to credit risk.

As at 31 December 2014, 2015 and 2016, the Group had certain concentration of credit risk as approximately 61%, 47% and 64%, respectively, of the Group's trade receivables were due from 3, 2 and 2 customers. The Group has been actively seeking new customers to reduce the risk of over-reliance on those customers.

The Group continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Track Record Period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The credit risk on cash and cash equivalents is limited because the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals, amount due to a shareholder and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the Track Record Period and are considered by the directors to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2014, 2015 and 2016. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

At 31 December 2014

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total undiscounted amount	Carrying amount
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
Trade payables	147,270	1,738	—	149,008	149,008
Other payables and accruals	53,674	—	—	53,674	53,674
Amount due to a shareholder	82	—	—	82	82
Bank borrowings	289,874	36,067	117,215	443,156	417,677
	<u>490,900</u>	<u>37,805</u>	<u>117,215</u>	<u>645,920</u>	<u>620,441</u>

At 31 December 2015

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total undiscounted amount	Carrying amount
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
Trade payables	107,204	2,540	—	109,744	109,744
Other payables and accruals	132,834	—	—	132,834	132,834
Amount due to a shareholder	6,346	—	—	6,346	6,346
Bank borrowings	271,722	35,934	107,800	415,456	392,310
	<u>518,106</u>	<u>38,474</u>	<u>107,800</u>	<u>664,380</u>	<u>641,234</u>

At 31 December 2016

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total undiscounted amount	Carrying amount
	NTD'000	NTD'000	NTD'000	NTD'000	NTD'000
Trade payables	178,897	—	—	178,897	178,897
Other payables and accruals	87,098	—	—	87,098	87,098
Bank borrowings	308,803	96,559	91,041	496,403	473,106
	<u>574,798</u>	<u>96,559</u>	<u>91,041</u>	<u>762,398</u>	<u>739,101</u>

29. FAIR VALUE MEASUREMENT

At 31 December 2014, 2015 and 2016, all financial instruments are carried at amounts not materially different from their fair values.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The gearing ratios of the Group as at 31 December 2014, 2015 and 2016 were as follows:

	At 31 December		
	2014	2015	2016
	NTD'000	NTD'000	NTD'000
Borrowings	417,677	392,310	473,106
Equity	221,342	252,912	248,742
Gearing ratio	189%	155%	190%

In the opinion of the directors, the Group's gearing ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

31. CONTINGENT LIABILITIES

At each reporting date, the Group did not have any significant contingent liabilities.

32. SUBSEQUENT EVENTS

The companies comprising the Group underwent the Reorganisation in preparation for the listing of shares of the Company on the Stock Exchange.

Pursuant to the shareholders' resolutions passed on 20 June 2017, and subject to the same conditions to the Share Offer and the Capitalisation Issue as set out in the section headed "Structure and Conditions of the Share Offer" in the Prospectus, the share option scheme of the Company is approved, the principal terms of which are set out in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

Save as disclosed above and elsewhere in this report, no other significant events took place subsequent to 31 December 2016.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Yours faithfully,

Elite Partners CPA Limited

Certified Public Accountants

Siu Jimmy

Practising Certificate Number: P05898

Hong Kong

Moore Stephens CPA Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number: P05035

Hong Kong

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set out in this appendix does not form part of the Accountants' Report prepared by the independent joint reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, and Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group as of 31 December 2016 as if the Share Offer had taken place of that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as of 31 December 2016 or at any future dates following the completion of the Share Offer. The unaudited pro forma statement of adjusted net tangible assets is based on the audited consolidated net tangible assets of the Group attributable to the equity holder as of 31 December 2016, as shown in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited net tangible assets attributable to owners of the Company as of 31 December 2016 ⁽¹⁾	Estimated net proceeds from the Share Offer ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	NTD'000	NTD'000	NTD'000	NTD ⁽³⁾	HK\$ ⁽⁴⁾
Based on the Offer Price of HK\$0.22 per Offer Share	246,536	168,890	415,426	0.42	0.10
Based on the Offer Price of HK\$0.32 per Offer Share	246,536	265,390	511,926	0.51	0.13

Notes:

- (1) The audited net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 is based on the audited net assets of the Group of approximately NTD248,742,000 as of 31 December 2016 after deduction of intangible assets of approximately NTD2,206,000.
- (2) The estimated net proceeds of the Share Offer are based on 250,000,000 Offer Shares and the estimated Offer Price of HK\$0.22 and HK\$0.32 per Offer Share, after deduction of the underwriting commission and other related expenses payable by the Company amounting to approximately NTD51,110,000 and NTD54,610,000 respectively, and is converted into NTD at an exchange rate of NTD4.00 to HK\$1.00. No account has been taken of any Shares which may be allotted or issued or repurchased by the Company pursuant to general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,000,000,000 shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus or otherwise.
- (4) The unaudited pro forma adjusted net tangible assets per Share is translated into Hong Kong dollars at exchange rate of NTD4.00 to HK\$1.00. No representation is made that the NTD amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016 in the computation of the unaudited pro forma adjusted net tangible assets.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent joint reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, and Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



Elite Partners CPA Limited
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大華馬施雲
會計師事務所有限公司

30 June 2017

The Directors
Genes Tech Group Holdings Company Limited

Ample Capital Limited

Dear Sirs,

INDEPENDENT JOINT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Genes Tech Group Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 and the related notes as set out in Part A of Appendix II to the prospectus dated 30 June 2017 (the "Prospectus") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of share offer. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Part A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's consolidated net tangible assets attributable to owners of the Company as at 31 December 2016 as if the Share Offer had taken place on the same date. As part of this process, information about the Group's consolidated net tangible assets attributable to owners of the Company as at 31 December 2016 has been extracted by the Directors from the Group's financial information, on which an accountants' report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firms apply Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if the Share Offer had been undertaken at 31 December 2016 for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 December 2016 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Yours faithfully,

Elite Partners CPA Limited

Certified Public Accountants

Siu Jimmy

Practising Certificate Number: P05898

Hong Kong

Moore Stephens CPA Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number: P05035

Hong Kong

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this listing document received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 30 April 2017.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

30 June 2017

The Directors

Genes Tech Group Holdings Company Limited
The Offices of Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111, Cayman Islands

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the property held by Genes Tech Group Holdings Company Limited (referred to as the “Company”) and its subsidiaries (hereinafter together with the Company referred to as the “Group”) have interests in Taiwan (as more particularly described in the valuation certificates), we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the value of the property as at 30 April 2017 (the “Valuation Date”).

Definition of Market Value

Our valuation of the property represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). “Market Value” is defined by the IVSC as “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis and Assumptions

In valuing the property, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors.

Our valuation exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property. In respect of the property situated in Taiwan, the status of titles and grant of major approvals and licenses, in accordance with the information provided by the Group are set out in the note of the valuation certificate.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Method of Valuation

In valuing the property, which is held and occupied by the Group in Taiwan, we have used Depreciated Replacement Costs Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market value by Depreciated Replacement Cost Approach only applies to the whole of the property as a unique interest, and no piecemeal transaction of the property is assumed. The market value is subject to adequate potential profitability of the business from the use of the property as a whole.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group in respect of the property in Taiwan and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, tenancy details, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the titles of the property in Taiwan and have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our valuer, Ms. April Hu, inspected the exterior and, wherever possible, the interior of the property on 19 May 2017. Ms. April Hu is a Certified Real Estate Appraiser and has about 19 years' experience in property valuation in Taiwan. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the area shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts indicated herein our valuation are in New Taiwan Dollar ("NTD"), which is the official currency of Taiwan.

We enclose herewith our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., MRICS, MHKIS
Regional Director
Valuation & Advisory Services, Greater China

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 29 years of experience in the valuation of properties in Hong Kong, Taiwan and Mainland China.

VALUATION CERTIFICATE

Property held and occupied by the Group in Taiwan

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2017
An industrial complex at No. 80 Baotai 3rd Road, Zhubei City, Hsinchu County, Taiwan 台灣 新竹縣竹北市 保泰三路80號 一座工業廠房	Completed in 2012, the property comprises an industrial complex and is developed on an industrial land with a total site area of approximately 2,813.68 sq. m. (approx. 851.14 pings). The property comprises several a 1 to 3 storey buildings with basement and a total gross floor area of approximately 6,354.52 sq. m. (approx. 1,922.24 pings). with details as follows:	The property is occupied by the Group for production.	NTD325,500,000 (100% interest attributable to the Group: NTD325,500,000)
		Approximate gross floor area (sq. m.)	
	Level	Use	
	1	Workshops and Clean rooms	1,236.88
	2	Workshops and Clean rooms	1,380.42
	3	Office and Warehouses	1,138.72
	Base- ment	Car Park (43 car parking spaces & 18 motorcycle parking spaces)	1,745.42
	1 to Roof	Ancillary facilities	853.08
	Total		<u>6,354.52</u>

The property is held under freehold ownership.
The land zoning of the property is Type B Industrial, with a maximum site coverage of 60% and a plot ratio of 2.1.

Notes:

- (1) According to approved copies of titles, the deed document (Zhubei Teng Zi No. 003119) and diagrams in relation to the subject land obtained from Zhubei Land Registry Office of Hsinchu County on 8 March 2016, the ownership of the subject land (Land Lot No. 1021, Donghwa Section) with a total site area of 2,813.68 sq. m. (approx. 851.14 pings) and the ownership of the subject buildings with a total gross floor area of approximately 6,354.52 sq. m. (approx. 1,922.24 pings) have been vested in Genes Tech Co., Ltd. (靖洋科技股份有限公司) under freehold ownership in Taiwan.
- (2) In Taiwan, the unit used for measuring floor area is known as ping. The conversion rate for the units of ping and sq. m. is that 1 sq. m. is equal to 0.3025 ping.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 June, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and its articles of association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 June 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;

- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the

Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the

period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at

the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of

association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 July, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from

time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Takeovers

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 June 2016. Our Company has established a principal place of business in Hong Kong at Rooms 2105-06, 21/F, Office Tower Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 27 September 2016. Man Yun Wah has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum of Association and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set forth in Appendix IV to this prospectus.

2. Change in share capital of our Company

As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

One Share was allotted and issued at par to the initial subscriber on 6 June 2016 which was transferred as fully paid Share to Mr. Yang on the same date.

On 20 June 2017, in consideration for the transfers of 8,503 shares in Top Vitality by its shareholders to our Company, our Company allotted and issued a total of 9,999 Shares to the transferors in the following manner:

Transferor	Number of shares in Top Vitality transferred to our Company	Number of consideration Shares allotted and issued by our Company
Queenbest	4,247	4,995
Ever Wealth	920	1,082
Planeta	723	850
Tai Yi	1,262	1,484
Mr. Yang	317	372
Ms. Wei	217	255
Mr. Fan	33	39
Mr. Lin	14	16
Double Solutions	770	906

Pursuant to resolutions in writing of all our Shareholders passed on 20 June 2017, our authorised share capital was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 1,000,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of all our Shareholders passed on 20 June 2017” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all our Shareholders passed on 20 June 2017

On 20 June 2017, resolutions in writing were passed by all our Shareholders, pursuant to which, among other things:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares;
- (b) our Company adopted its new Memorandum with immediate effect and conditionally approved and adopted its new Articles of Association to take effect on the Listing Date;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Sole Global Coordinator and our Company on or before the Price Determination Date; and (iii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
 - (ii) the Offer Size Adjustment Option was approved and our Directors were authorised to effect the same and to allot and issue the Shares upon exercise of the Offer Size Adjustment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set forth in the section headed “D. Other Information — 1. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and

- (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,499,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,990,000 Shares, such Shares to be allotted and issued to our Shareholders whose names appearing on the register of members of our Company at the close of business on 20 June 2017 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with an aggregate number not exceeding 20% of the number of Shares of our Company in issue immediately following completion of the Share Offer and Capitalisation Issue (excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of Shares of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate reorganisation

Details of the Reorganisation are set forth in the section headed “History, Reorganisation and Group Structure” in this prospectus.

5. Changes in share capital of subsidiaries of our Group

Subsidiaries of our Company are referred to in the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Group Structure” in this prospectus, there are no changes in the registered capital of our Company’s subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase of Shares by our Company

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities on GEM by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 20 June 2017, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company on GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate number not exceeding 10% of the number of Shares of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders of our Company in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Core connected persons*

The GEM Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or his or her close associates and a core connected person shall not knowingly sell his securities to such company.

(iv) *Status of repurchased Shares*

The listing of all repurchased Shares (whether offered on the Stock Exchange or otherwise) on GEM will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

(v) *Trading restrictions*

The total number of shares which a listed company may repurchase on GEM is the number of shares representing up to a maximum of 10% of the aggregate number of shares of that company in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or higher than the average closing market price for the five preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(vi) *Suspension of repurchase*

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company’s results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company’s results for any year, half-year or quarter-year under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on GEM if a listed company has breached the GEM Listing Rules.

(vii) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falls below 25% of the total number of Shares in issue.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts









The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the share subscription agreement dated 23 June 2016 entered into between Top Vitality and Double Solutions pursuant to which Top Vitality agreed to allot and issue, and Double Solutions agreed to subscribe for 2,267 shares in Top Vitality at a consideration of HK\$20,000,000;
- (b) a supplemental agreement dated 15 July 2016 entered into between Top Vitality and Double Solutions to amend and supplement certain provisions in the share subscription agreement referred to in paragraph (a) above;
- (c) the deed of indemnity dated 20 June 2017 and entered into by Queenbest and Mr. Yang in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, to which our Group may be subject on or before the Listing Date; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had the following registered trademarks which are material to our business:

Trademark	Class	Place of registration	Registered owner	Registration number	Registration date	Expiry date
 GENES TECH	7	Taiwan	Genes Tech	01627047	16 February 2014	15 February 2024
	7	Taiwan	Genes Tech	01627048	16 February 2014	15 February 2024
	11	Taiwan	Genes Tech	01627377	16 February 2014	15 February 2024
	7	PRC	Genes Tech	12721561	14 February 2016	13 February 2026
 GENES TECH	7	PRC	Genes Tech	12721562	28 March 2015	27 March 2025
	11	US	Genes Tech	4610839	23 September 2014	22 September 2024 <i>(note)</i>
	7	US	Genes Tech	4782467	28 July 2015	27 July 2025 <i>(note)</i>
 GENES TECH	7	US	Genes Tech	4809029	8 September 2015	7 September 2025 <i>(note)</i>

Note: The registered trademark is valid for 10 years since its registration date.

(b) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

<u>Domain name</u>	<u>Registered proprietor</u>	<u>Date of registration</u>	<u>Expiry date</u>
genestech.com	Genes Tech	16 November 2009	15 November 2017

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

1. Directors

(a) Disclosure of interests — interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed are as follows:

Interests in our Company

<u>Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Yang	Beneficial owner	27,975,000 Shares (long position)	2.80%
	Interest in persons acting	<u>654,075,000 Shares (long position)</u>	<u>65.40%</u>
	in concert <i>(note)</i>	682,050,000 Shares (long position)	68.20%
Ms. Wei	Beneficial owner	19,125,000 Shares (long position)	1.91%
	Interest in persons acting	<u>662,925,000 Shares (long position)</u>	<u>66.29%</u>
	in concert <i>(note)</i>	682,050,000 Shares (long position)	68.20%
Mr. Fan	Beneficial owner	2,925,000 Shares (long position)	0.29%
	Interest in persons acting	<u>679,125,000 Shares (long position)</u>	<u>67.91%</u>
	in concert <i>(note)</i>	682,050,000 Shares (long position)	68.20%

Note: Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangement pertaining to their shareholding. Further information on the terms and conditions of the Concert Party Agreement is set forth in the section headed “Relationship with Controlling Shareholders — Summary of the Concert Party Agreement” in this prospectus. Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations controlled by the Concert Parties.

(b) Particulars of our Directors’ service contracts

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set forth in the Articles of Association.

Each of the executive Directors is entitled to a director’s fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year and bonus payments of not more than 2% of our profit before tax during the relevant year. In addition, each of the executive Directors is also entitled to bonus as determined by our Board based on the recommendations made by the Remuneration Committee. The current annual director’s fees and remuneration of our executive Directors are as follows:

<u>Directors</u>	<u>Approximate annual director’s fee and remuneration (HK\$’000)</u>
Mr. Yang	1,462
Ms. Wei	1,174
Mr. Fan	1,210

The independent non-executive Directors have been appointed for a term of one year. Our Company intends to pay a director’s fee of HK\$240,000 per annum to each of our independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors (including our independent non-executive Directors) for the year ending 31 December 2017 is estimated to be approximately HK\$4.1 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, the persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Shareholder</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Queenbest (note 1)	Beneficial interest	374,625,000 Shares (long position)	37.46%
Ever Wealth (note 2)	Beneficial interest	81,150,000 Shares (long position)	8.11%
Planeta (note 3)	Beneficial interest	63,750,000 Shares (long position)	6.38%
Tai Yi (note 4)	Beneficial interest	111,300,000 Shares (long position)	11.13%
	Interest in persons acting in concert (note 5)	<u>570,750,000 Shares (long position)</u> 682,050,000 Shares (long position)	<u>57.07%</u> 68.20%
Chen Yuan-Chi (陳源基) (note 6)	Interest of a controlled corporation	682,050,000 Shares (long position) (note 5)	68.20%
Mr. Lin	Beneficial interest	1,200,000 Shares (long position)	0.12%
	Interest in persons acting in concert (note 5)	<u>680,850,000 Shares (long position)</u> 682,050,000 Shares (long position)	<u>68.08%</u> 68.20%
Double Solutions (note 7)	Beneficial interest	67,950,000 Shares (long position)	6.80%
Ms. Chan Suk Sheung Rembi (note 8)	Interest of a controlled corporation	67,950,000 Shares (long position) (note 7)	6.80%

Notes:

- Queenbest is a company incorporated in the BVI. As at the Latest Practicable Date, it was held by 45 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.02% to 7.3%.
- Ever Wealth is a company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, it was held by nine individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.

3. Planeta is a company incorporated in Anguilla. As at the Latest Practicable Date, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
4. Tai Yi is a company incorporated in Taiwan. As at the Latest Practicable Date, it was held by six individual shareholders.
5. Each of Tai-Yi and Mr. Lin is a party to the Concert Party Agreement, details of which are set out in the section headed “Relationship with Controlling Shareholders — Summary of the Concert Party Agreement” in this prospectus. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations controlled by the Concert Parties. Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders.
6. Mr. Chen Yuan-Chi (陳源基) is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these Shares pursuant to Part XV of the SFO.
7. Double Solutions is incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.
8. Ms. Chan Suk Sheung Rembi is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these Shares pursuant to Part XV of the SFO.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other Information — 7. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any other member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other Information — 7. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5% of the number of issued shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and
- (h) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders of our Company passed on 20 June 2017.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, being 100,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the Offer Size Adjustment Option and the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) (or his/her close associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has announced such information pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or

- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the ground that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all our Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;

- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of our Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (h).

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of our Board*

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

2. Estate duty, tax and other indemnities

Each of Queenbest and Mr. Yang has entered into a deed of indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (c) of the section headed “B. Further Information about the Business of Our Group — 1. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by

reason of any transfer of property (within the meaning of Sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the Listing Date.

The deed of indemnity also contains, amongst other things, indemnities given by Queenbest and Mr. Yang in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Group may be subject on or before the Listing Date.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$58,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Ample Capital Limited	A corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (advising on asset management) of the regulated activity for the purpose of the SFO
Elite Partners CPA Limited	Certified Public Accountants
Frost & Sullivan Limited	Industry consultant
Moore Stephens CPA Limited	Certified Public Accountants
Lee and Li, Attorneys-at-Law	Taiwan Legal Advisers
L&L-Leaven, Attorneys-at-Law	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
DTZ Cushman & Wakefield Limited	Property valuer
RSM Tax Advisory (Hong Kong) Limited	Tax adviser

7. Consents of experts

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Group has no outstanding convertible debt securities or debentures;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
 - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) none of the persons named in the section headed “D. Other information — 7. Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up);

- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands;
- (f) no member of our Group is presently listed on any stock exchange or traded on any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

10. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme. The Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

The Sponsor's fees in relation to the Listing are approximately HK\$5.0 million.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **WHITE** Application Form, **YELLOW** Application Form and **GREEN** Application Form;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other information — 7. Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Watson Farley & Williams at Units 1703–07, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report from Elite Partners CPA Limited and Moore Stephens CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Elite Partners CPA Limited and Moore Stephens CPA Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended 31 December 2016;
- (e) the letter and valuation certificate relating to the property interests of our Group prepared by DTZ Cushman & Wakefield Limited, the texts of which are set forth in Appendix III to this prospectus;
- (f) the tax report prepared by RSM Tax Advisory (Hong Kong) Limited;
- (g) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of the company law of the Cayman Islands referred to in “Summary of the Constitution of the Company and the Cayman Islands Company Law” in Appendix IV to this prospectus;
- (h) the Companies Law;

- (i) the legal opinions dated the prospectus date issued by Lee and Li, Attorneys-at-Law, our Taiwan Legal Advisers in respect of our Group's business operations and property interests in Taiwan;
- (j) the legal opinions dated the prospectus date issued by L&L-Leaven, Attorneys-at-Law, our legal advisers as to PRC Law in respect of our Group's business activities in the PRC;
- (k) the material contracts referred to in the section headed "Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix V to this prospectus;
- (l) the service contracts and appointment letters entered into between our Company and each of the Directors referred to in the section headed "Statutory and General Information — C. Further information about our Directors and substantial shareholders of our Company — 1. Directors — (b) Particulars of our Directors' service contracts" in Appendix V to this prospectus;
- (m) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 7. Consents of experts" in Appendix V to this prospectus;
- (n) the rules of the Share Option Scheme; and
- (o) the Frost and Sullivan Report prepared by Frost and Sullivan.

Genes Tech Group Holdings Company Limited
靖洋集團控股有限公司