



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

THIRD QUARTERLY REPORT 2017



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This report, for which the directors (the “Directors”) of Genes Tech Group Holdings Company Limited (the “Company”), together with its subsidiaries, (the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

(also known as Johnson Fan)

Wei Hung-Li (魏弘麗)

Independent non-executive Directors:

Kam Leung Ming (甘亮明)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

AUDIT COMMITTEE

Cheng Chun Shing (鄭鎮昇) (*Chairman*)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

REMUNERATION COMMITTEE

Kam Leung Ming (甘亮明) (*Chairman*)

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) (*Chairman*)

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) (*Chairman*)

Fan Chiang-Shen (范強生)

Wei Hung-Li (魏弘麗)

JOINT AUDITORS

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

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

Corporate Information (continued)

AUTHORISED REPRESENTATIVES

Yang Ming-Hsiang (楊名翔)

Wei Hung-Li (魏弘麗)

COMPANY SECRETARY

Man Yun Wah (文潤華), HKICS

COMPLIANCE OFFICER

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

COMPLIANCE ADVISER

Ample Capital Limited

Unit A, 14th Floor, Two Chinachem Plaza

135 Des Voeux Road Central

Central, Hong Kong

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

<http://www.genestech.com>

Management Discussion and Analysis

The Group is a turnkey solution provider and exporter of used semiconductor manufacturing equipment (SME) and parts based in Taiwan. Shares of the Company (the “Shares”) were successfully listed on the GEM on 14 July 2017 (the “Listing”).

BUSINESS REVIEW

The Group is a leading turnkey solution provider and exporter of used SME and Parts in Taiwan. The Group has been providing turnkey solution of used SME and Parts to customers who need to alter and/or upgrades the semiconductors of production systems from time to time. Moreover, the Group also carries out the trading of SME and Parts business. The SME and Parts supplied by the Group include: furnaces, clean tracks and other related items, which are used at the front-end of the semiconductor manufacturing process, wafer fabrication, such as deposition, photoresist coating and development. With an experienced management team in place and a widely heralded total quality management system, the Group has become one of the leading turnkey solutions suppliers and exporters in Taiwan. During the period under review, the Group maintained stable development in general, recording total revenue of approximately NTD1,029.6 million (corresponding period in 2016: approximately NTD911.9 million), and total comprehensive income attributable to owners of the Company of approximately NTD35.5 million (corresponding period in 2016: approximately loss of NTD17.1 million). Excluding the listing expenses of the Group of approximately NTD31.1 million and NTD25.5 million for the nine months ended 30 September 2016 and 2017 respectively, the Group’s net profit would have been approximately NTD12.7 million and NTD59.8 million respectively, representing an increase of approximately 370.0%. This was mainly due to the on-going rise in semiconductor product market demand driven by the recent strong growth in the wearable devices market.

The Group is committed to strengthening its position as a turnkey solution provider in Taiwan and China. On 14 July 2017, the Shares were successfully listed on the GEM by way of placing and public offer (the “Share Offer”), which not only promoted the overall enterprise image of the Group and enhanced its market recognition, but also established a significant milestone in terms of the overall development of the Group. The net proceeds raised from the Share Offer were approximately HK\$42.2 million, which will significantly help the Group further expand its business operations.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions was the major revenue source for the Group. For the nine months ended 30 September 2017, the Group recorded revenue of approximately NTD1,001.0 million (corresponding period in 2016: approximately NTD834.1 million), representing an increase of approximately 20.0% compared with the corresponding period of last year. The growth of the turnkey solutions business was mainly driven by the sales growth of semiconductor manufacturers, being the Group’s major types of customers.

The Group’s turnkey solutions revenue was mainly generated from the global leading semiconductor manufacturing markets, including Taiwan and China, where recorded revenue for the Group’s related businesses reached approximately 30.8% and approximately 61.9%, respectively.

Management Discussion and Analysis (continued)

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD28.6 million (corresponding period in 2016: approximately NTD77.9 million) arising from trading of SME and Parts, representing a decrease of approximately 63.3% compared with the corresponding period of last year. Such drop was mainly due to a decrease in trading of SME and Parts sold to the Group's overseas turnkey solutions providers. During the period under review, revenue arising from trading of SME and Parts comprised approximately 2.8% of total revenue for the Group.

OUTLOOK

The application of semiconductors is expected to expand into different types of consumer electronics where the market for wearable devices such as smartwatches and fitness trackers have expanded rapidly in recent years and offer enormous future growth potential, which will drive up the demand for integrated circuits.

Looking ahead, the Group will seize new opportunities in the used SME sector in China and Taiwan while further strengthening its overall position within the industry. By enhancing sales and focusing steadily on R&D as well as expanding the number of experienced technical personnel in the team, the Group will strive to achieve sustainable growth in its overall business operations. At the same time, the Group will strive to maintain its strong financial status and release liquidity while creating long-term value for its shareholders.

FINANCIAL REVIEW

For the nine months ended 30 September 2017, the Group recorded revenue of approximately NTD1,029.6 million (corresponding period in 2016: approximately NTD911.9 million), representing an increase of approximately 12.9% compared with the corresponding period of last year. The growth in revenue was mainly due to customers expanding their semiconductor manufacturing operations to meet the recent substantial growth in the wearable devices market, which has fueled the demand for SME and Parts. For the nine months ended 30 September 2017, the Group recorded revenue of approximately NTD1,001.0 million and approximately NTD28.6 million for its turnkey solutions business and trading of SME and parts, respectively.

Total comprehensive income attributable to owners of the Company amounted to approximately NTD35.5 million (corresponding period in 2016: approximately loss of NTD17.1 million) while basic and diluted earnings per share amounted to NTD3.43 cents (corresponding period in 2016: loss of NTD1.84 cents). The increase of total comprehensive income attributable to owners of the Company mainly resulted from increasing trend of its gross profit margins and also attributable to the decreasing trend of its general and administrative expenses. The net profit margin during the period edged up to approximately 3.3% (corresponding period in 2016: approximately net loss margin 2.0%).

Cost of sales for the Group reached approximately NTD824.2 million (corresponding period in 2016: NTD169.4 million). This increase in the cost of sales was mainly due to an increase in the overall revenue of the Group as well as an increase in SME material costs along with parts and labor costs.

Management Discussion and Analysis (continued)

During the period under review, the Group's gross profit amounted to approximately NTD205.3 million (corresponding period in 2016: approximately NTD169.4 million), while the gross profit margin was approximately 19.9% (corresponding period in 2016: approximately 18.6%) and remained as fairly stable as compared with last corresponding period.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the nine months ended 30 September 2016 and 2017, respectively. The Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

As at 30 September 2017, the borrowings of the Group totaled approximately NTD469.2 million (31 December 2016: approximately NTD473.1 million). The gearing ratio of the Group was approximately 98.0% (31 December 2016: approximately 190.2%).

Charge on Assets

As at 30 September 2017, the Group had certain land and building which were pledged to secure the Group's long-term bank borrowing, with a principal amount of NTD125.0 million.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The business operations of the Group's subsidiaries were mainly conducted in Taiwan with most of the transactions settled in NTD and USD. As at the date of this report, the board of Directors (the "Board") considers that the foreign currencies (mainly the United States dollar) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from the overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During the period under review, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Capital Commitments and Contingent Liabilities

As at 30 September 2017, the Group did not have any significant capital commitments (31 December 2016: Nil) and significant contingent liability (31 December 2016: Nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the period.

Management Discussion and Analysis (continued)

HUMAN RESOURCES

As at 30 September 2017, the Group employed 123 employees. All of the staff are full-time employees and located in Taiwan.

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

USE OF PROCEEDS FROM THE SHARE OFFER

The Company intends to apply the net proceeds raised from the Share Offer in the manner as stated in the prospectus of the Company dated 30 June 2017 (the “Prospectus”). As at 30 September 2017, the Company has received proceeds of approximately NTD168.9 million from the Share Offer as the Shares were listed on the GEM on 14 July 2017. As at 30 September 2017, the Group has not used any net proceeds from the Share Offer and the unutilised proceeds are deposited with licensed banks in Hong Kong as short-term interest-bearing deposits.

As stated in the section headed “Business Objectives, Future Plans and Use of Proceeds” in the Prospectus, the Group intends to use the proceeds for:

- (1) building an extra floor on its headquarter located in Taiwan;
- (2) repaying bank loans;
- (3) research and development project corporating with Industrial technology Research Institute of Taiwan and its in-house research and development;
- (4) recruiting new staff for handling unrefurbished used SME and the provision of turnkey solution;
- (5) working capital of the Group.

Dividend

The Board does not recommend payment of dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: Nil).

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

The Shares were listed on GEM on 14 July 2017. As at 30 September 2017, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO). As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the 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 were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

Name of Director	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang	Beneficial owner	27,975,000 (long position)	2.79%
	Interest in persons acting in concert (Note)	654,075,000 (long position)	65.41%
		682,050,000 (long position)	68.20%
Mr. Fan Chiang-Shen	Beneficial owner	2,925,000 (long position)	0.29%
	Interest in persons acting in concert (Note)	679,125,000 (long position)	67.91%
		682,050,000 (long position)	68.20%
Ms. Wei Hung-Li	Beneficial owner	19,125,000 (long position)	1.91%
	Interest in persons acting in concert (Note)	662,925,000 (long position)	66.29%
		682,050,000 (long position)	68.20%

Other Information (continued)

Note: Pursuant to the concert party agreement dated 22 August 2016 (the "Concert Party Agreement") entered into by Mr. Yang Ming-Hsiang, Tai Yi Investment Co. Ltd., Ms. Wei Hung-Li, Mr. Fan Chiang-Shen and Mr. Lin Yen-Po (a group of controlling shareholders (as defined under the GEM Listing Rules) (the "Controlling Shareholders") of the Company (the "Concert Parties"), the Concert Parties have agreed with certain arrangement pertaining to their shareholding. 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.

Save as disclosed above, as at 30 September 2017 and as at the date of this report, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 September 2017, there was no interest in the Shares and underlying Shares which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO. As at the date of this report, to the best knowledge of the Directors, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares:

Name	Capacity	Long position	
		Number of ordinary Shares	Approximate percentage of total number of Shares
Queenbest Development Limited ("Queenbest") (note 1)	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited ("Ever Wealth") (note 2)	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited ("Planeta") (note 3)	Beneficial interest	63,750,000	6.38%

Other Information (continued)

Name	Capacity	Long position	
		Number of ordinary Shares	Approximate percentage of total number of Shares
Tai-Yi Investment Company Limited ("Tai Yi") (note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (note 5)	570,750,000	57.07%
		682,050,000	68.20%
Mr. Chen Yuan-Chi (note 6)	Interest of a controlled corporation (note 5)	682,050,000	68.20%
Mr. Lin	Beneficial interest	1,200,000	0.12%
	Interest in persons acting in concert (note 5)	680,850,000	68.08%
		682,050,000	68.20%
Double Solutions Limited ("Double Solutions") (note 7)	Beneficial interest	67,950,000	6.80%
Ms. Chan Suk Sheung Rembi ("Ms. Chan") (note 8)	Interest of a controlled corporation	67,950,000 (note 7)	6.80%

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the "BVI"). As at the date of this report, 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 Co., Ltd. ("Genes Tech", an indirect wholly-owned subsidiary of the Company) who were independent third parties (as defined under the GEM Listing Rules) ("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 date of this report, 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%.

Other Information (continued)

- (3) Planeta is a company incorporated in Anguilla. As at the date of this report, 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 date of this report, it was held by six individual shareholders. Tai Yi is a party to the Concert Party Agreement.
- (5) Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangement pertaining to their shareholding. 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.
- (6) Mr. Chen 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 a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.
- (8) Ms. Chan 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.

Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the nine months ended 30 September 2017 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the nine months ended 30 September 2017 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

Directors' Interest in Competing Business

For the nine months ended 30 September 2017 and up to the date of this report, none of the Directors, nor the substantial shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests (other than their interests in the Company or (prior to completion of the Reorganisation) its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

Other Information (continued)

Directors' Interest in Contracts

There was no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

Compliance Adviser's Interests

As notified by Ample Capital Limited ("Ample"), compliance adviser of the Company, neither Ample nor any of its close associates and none of the directors or employees of Ample had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2017.

The compliance adviser's appointment is for a period commencing on 14 July 2017 (i.e. the date of Listing) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after the date of initial listing of the Shares on the GEM (the "Listing"), or until the compliance adviser agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance adviser agreement, Ample receives fees for acting as the Company's compliance adviser.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors ("Securities Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Shares were first listed on GEM on 14 July 2017. Each of the Directors gave confirmation that he/she was in compliance with the Securities Code since the date of Listing.

Compliance with the Code of Corporate Governance

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision A.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual, Yang Ming-Hsiang is the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"). In view of Mr. Yang having assumed day-to-day responsibilities in operating and managing the Group since 2009 and the rapid development of the Group, the Board believes that with the support of Mr. Yang extensive experience and knowledge in the business of the Group, vesting the roles of both the Chairman and the CEO in Mr. Yang strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision making which is in the best interests of the Group.

Other Information (continued)

The Directors consider that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations, and sufficient checks and balances are in place.

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders as a whole. The Directors are aware that the Group is expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the third quarter report and annual report in respect of the relevant period. Save as disclosed above, the Company has complied with all the code provisions set out in the Corporate Governance Code since the date of Listing.

Audit Committee and Review of Financial Statements

The audit committee of the Company ("Audit Committee") has been established by the Board on 20 June 2017 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee comprise Mr. Cheng Chun Shing (Chairman of the Audit Committee), Mr. Kam Leung Ming and Mr. Ho Pak Chuen Brian, all of them being independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to, (a) monitoring the integrity of the Company's financial statements, (b) reviewing the Company's financial controls, internal control and risk management systems, and (c) reviewing the Group's financial and accounting policies and practices.

The unaudited condensed consolidated third quarter results of the Group for the nine months ended 30 September 2017 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated third quarter results of the Group for the nine months ended 30 September 2017, this third quarter report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

Share Option Scheme

A share option scheme was adopted and approved by the then shareholders of the Company on 20 June 2017 (the "Share Option Scheme"). No share option has been granted by the Company pursuant to the Share Option Scheme since its adoption.

Other Information (continued)

Purchase, Sale or Redemption of the Company's Listed Securities

The Shares were first listed on the GEM on 14 July 2017. During the nine months ended 30 September 2017 and up to the date of this report, save for the Reorganisation, the Public Offer and Placing disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

By order of the Board

Yang Ming-Hsiang

Chairman and Chief Executive Officer

14 November 2017

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the nine months ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Revenue	5	260,492	191,430	1,029,634	911,929
Cost of sales		(201,815)	(155,733)	(824,277)	(742,497)
Gross profit		58,677	35,697	205,357	169,432
Other income, gains and losses		4,017	(6,801)	(9,037)	(19,164)
Selling and distribution expenses		(8,516)	(6,376)	(39,080)	(31,144)
General and administrative expenses		(43,130)	(34,375)	(103,500)	(112,711)
Finance costs		(2,467)	(1,491)	(6,566)	(6,398)
Profit/(loss) before income tax	6	8,581	(13,346)	47,174	15
Income tax expenses	7	(2,918)	(10,892)	(12,881)	(18,450)
Profit/(loss) for the period		5,663	(24,238)	34,293	(18,435)
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences on translation of a foreign subsidiary		1,185	957	1,209	1,259
Total comprehensive income for the year attributable to owners of the Company		6,848	(23,281)	35,502	(17,176)
Earnings/(loss) per share					
— Basic (NTD cents)	8	0.56	(2.42)	3.43	(1.84)
— Diluted (NTD cents)	8	0.56	(2.42)	3.43	(1.84)

Unaudited Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2017

	Share capital NTD'000	Statutory reserve NTD'000	Other reserve NTD'000	Exchange reserve NTD'000	Retained earnings NTD'000	Total NTD'000
As at 1 January 2017 (audited)	32,499	24,892	149,727	(175)	41,799	248,742
Arising from group reorganisation	(32,498)	-	32,180	-	-	(318)
Transfer to statutory reserve	318	-	-	-	-	318
Transactions with owners	(32,180)	-	32,180	-	-	-
Profit for the period	-	-	-	-	34,293	34,293
Other comprehensive income	-	-	-	1,209	-	1,209
Profit and total comprehensive income for the period	-	-	-	1,209	34,293	35,502
Transfer to statutory reserve	-	4,618	-	-	(4,618)	-
Issue of shares	38,496	-	155,814	-	-	194,310
As at 30 September 2017 (unaudited)	38,815	29,510	337,721	1,034	71,474	478,554
As at 1 January 2016 (audited)	150,000	19,103	-	-	83,809	252,912
Loss for the period	-	-	-	-	(18,435)	(18,435)
Other comprehensive income	-	-	-	1,259	-	1,259
Profit and total comprehensive income for the period	-	-	-	1,259	(18,435)	(17,176)
Arising from group reorganisation	(149,727)	-	149,727	-	-	-
Issue of new shares	80,565	-	-	-	-	80,565
Repurchase of shares	(48,339)	-	-	-	-	(48,339)
Transfer to statutory reserve	-	5,789	-	-	(5,789)	-
Transactions with owners	(117,501)	5,789	149,727	-	(5,789)	32,226
As at 30 September 2016 (unaudited)	32,499	24,892	149,727	1,259	59,585	267,962

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2017

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 June 2016. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is located at Rooms 2105–2106, 21/F, Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in providing turnkey solutions of used SME and parts. Its parent and ultimate holding company is Queenbest Development Limited, a private company incorporated in the British Virgin Islands (“BVI”). Its ultimate controlling party is Yang Ming-Hsiang.

The third quarter financial information is presented in New Taiwan dollars (“NTD”), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated third quarter results have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The amounts included in this unaudited condensed consolidated third quarter results have been computed in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. However, it does not contain sufficient information to constitute an Interim Financial Statements as defined in HKFRSs.

The Unaudited Condensed Consolidated Financial Statements for the nine months ended 30 September 2017 should be read in conjunction with the financial statements of the Group incorporated in the annual report for the year ended 31 December 2016.

Pursuant to the Reorganisation in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group, the details of which are set out in the Prospectus.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin, are a group of Controlling Shareholders, and is regarded as a continuing entity. Accordingly, the Unaudited Condensed Consolidated Financial Statements for the nine months ended 30 September 2017 has been prepared on a combined basis as if the current group structure had been in existence since 1 January 2016, or since the respective dates of incorporation of the relevant entity.

Notes to the Condensed Consolidated Financial Statements (continued)

For the nine months ended 30 September 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated third quarter results are same as those used in the preparation of the annual report for the year ended 31 December 2016.

The unaudited condensed consolidated third quarter results have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. 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 in Asia 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 Taiwan. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Taiwan as its country of domicile. All the Group's non-current assets are principally attributable to Taiwan, 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.

	Three months ended 30 September		Nine months ended 30 September	
	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Taiwan (place of domicile)	107,788	112,175	316,626	524,628
China	140,972	76,929	637,243	288,925
The United States	5,312	919	11,178	2,803
South Korea	–	969	10,268	34,904
Singapore	47	–	45,580	32,330
Other countries	6,373	438	8,739	28,339
	260,492	191,430	1,029,634	911,929

Notes to the Condensed Consolidated Financial Statements (continued)

For the nine months ended 30 September 2017

4. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Customer A	128,012	65,589	226,957	247,219
Customer B	29,200	N/A	115,807	N/A
Customer C	44,656	37,147	126,450	307,694
Customer D	–	–	368,865	–
	201,868	102,736	838,079	554,913

5. REVENUE

The Group's revenue which represented the amount received and receivable for the revenue from providing turnkey solutions of used SME and parts, and is analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Turnkey solutions	251,948	171,192	1,001,034	834,060
Trading of SME and parts	8,544	20,238	28,600	77,869
	260,492	191,430	1,029,634	911,929

Notes to the Condensed Consolidated Financial Statements (continued)

For the nine months ended 30 September 2017

6. PROFIT BEFORE TAX

	Three months ended 30 September		Nine months ended 30 September	
	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Cost of inventories recognised as expenses	183,283	151,913	782,040	718,814
Amortisation of intangible assets	250	238	727	670
Depreciation of property, plant and equipment	3,437	4,966	10,249	9,326
Listing expenses	7,000	7,878	25,582	38,976
Research expense	3,056	985	10,351	3,231
Provision of warranty	9,424	3,820	33,129	23,683
Employee benefits expense (including directors' remuneration):				
Salaries, allowances and benefits in kind	51,244	31,136	121,561	109,618
Defined contribution retirement plan	1,423	903	3,942	3,495
Minimum lease payments in respect of				
Properties	451	1,517	1,116	4,873
Office equipment	680	789	2,005	2,168

Notes to the Condensed Consolidated Financial Statements (continued)

For the nine months ended 30 September 2017

7. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Current tax				
Taiwan Income Tax	2,918	6,127	12,881	13,685
Deferred tax	–	4,765	–	4,765
	2,918	10,892	12,881	18,450

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Taiwan Income Tax at a rate of 17% on the estimated assessable profits for both periods.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for both periods is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)	2017 NTD'000 (unaudited)	2016 NTD'000 (unaudited)
Earnings (loss)				
Earnings (loss) for the purpose of basic earnings (loss) per share	5,663	(24,238)	34,293	(18,435)

	Three months ended 30 September		Nine months ended 30 September	
	2017 '000 (unaudited)	2016 '000 (unaudited)	2017 '000 (unaudited)	2016 '000 (unaudited)
Number of shares				
Number of shares for the purpose of basic earnings (loss) per share	1,000,000	1,000,000	1,000,000	1,000,000

Notes to the Condensed Consolidated Financial Statements (continued)

For the nine months ended 30 September 2017

8. EARNINGS (LOSS) PER SHARE *(Continued)*

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined based on the assumption that the Reorganisation and capitalisation issue and are deemed to be effective on 1 January 2017.

No diluted earnings (loss) per share was presented as there were no potential ordinary shares in issue during both periods.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017 (2016: Nil).