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

2017 ANNUAL REPORT

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GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

CONTENTS

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

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

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PO Box 2681, Grand Cayman
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No. 80, Baotai 3rd Road, Zhubei City
Hsinchu County 30244, Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUTHORISED REPRESENTATIVES

Yang Ming-Hsiang (楊名翔)
Wei Hung-Li (魏弘麗)

COMPANY SECRETARY

Yuen Wing Yan, Winnie (袁穎欣), *FCIS, FCS*

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

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North District, Hsinchu City 300
Taiwan

First Commercial Bank Hong Kong Branch
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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

CHAIRMAN'S STATEMENT

2017 is an important year to Genes Tech Group. Since the commencement of operation in 2009, we have been committed to in the provision of turnkey solution of used SME, maintenance of SME and trading of SME parts. We have expanded our market from Taiwan to mainland China, the United States and Japan after years of consistent efforts and became one of the leading vendors of such markets.

We have entered the international capital market by listing on the GEM of Hong Kong Stock Exchange on 14 July, 2017 to facilitate the further development of our business. The listing enhanced the corporate image and market recognition of the Group and was an important milestone of its development. The proceeds raised from the listing will be used to finance our future expansion and operation.

After its successful listing, the Company continued to grasp the opportunities arising from the increasing demand of the semiconductor markets in China and Taiwan and actively developed the business of turnkey solution of used SME and parts. As such, its operating results were encouraging. During the year, the Group recorded an income of approximately NTD1,238.4 million, representing a year-on-year increase of 1.2%. Total comprehensive income attributable to owners of the Company amounted to approximately NTD34.6 million (2016: approximately NTD11.9 million) and net profit margin increased to approximately 3.0% for the year (2016: of approximately 1.0%). Basic earnings per share was NTD4.3 cents (2016: approximately NTD1.6 cents).

Due to satisfactory operating results, Genes Tech Group was honoured as "Rising Star of GEM - Listed Company Award of Excellence 2017"by Hong Kong Economic Journal, a highly regarded local financial media, shortly after its listing. The award recognised the efforts and market position of the Group.

It is expected that the application of semiconductors will be further extended to different consumer electronic products. The market of smart phones, vehicle electronic devices and wearable devices such as smart watches and fitness trackers has been growing rapidly in recent years with tremendous growth potential. We expect there will be stronger demand for IC , leading to the growth of turnkey solution business for SME.

Looking ahead, we will capture opportunities in the growing market of used SME in China and Taiwan and to further strengthen our market position by expanding our business into the United States and Japan markets. The Group will strengthen its marketing activities, continue to focus on research and development, expand its team of skilled and technical personnel and enhance quality of services to facilitate the sustainable development of its business. To keep abreast of the latest market trend, development, the needs of consumers, the Group will strengthen its research and development efforts and cooperate with external research institutes such as Industrial Technology Research Institute of Taiwan ("ITRI") to improve its technology and diversify its turnkey solutions.

Last but not least, I would like to thank, on behalf of the Board, our Directors, management, customers, business partners and all our staff for their long-term support and contribution. We will grasp future opportunities to generate satisfactory returns for our shareholders.

Chairman
Yang Ming-Hsiang

26 March, 2018

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 of the Stock Exchange on 14 July 2017 (the "Listing").

MARKET OVERVIEW

In 2017, with the gradual recovery of the global economy, China's economy grew steadily, and its gross domestic product saw a year-on-year increase of 6.9%. At the same time, high-tech electronic devices have become extremely popular across China with demand for consumer electronics such as smartphones, tablets and wearable devices dramatically increasing. In order to expand production capacity to meet this rising demand, during the year under review, global wafer manufacturers were actively looking for turnkey solution providers to upgrade and refurbish their SME, which became the major driving force of Taiwan's SME industry. During the year under review, benefitting from the industry's continuing growth, the Group's business operations and results developed in a stable manner.

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. In addition, the Group formed an impressive overseas customer network, and maintained stable relationships with major clients from China, Taiwan and the Singapore. 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 year, the Group maintained stable development in general, recording total revenue of approximately NTD1,238.4 million (2016: approximately NTD1,223.3 million), and total comprehensive income attributable to owners of the Company of approximately NTD34.6 million (2016: approximately NTD11.9 million), an increase of approximately 1.2% and approximately 200.0% respectively. Excluding the listing expenses of the Group of approximately NTD31.5 million and NTD39.0 million for 2017 and 2016 respectively, the Group's net profit would have been approximately NTD69.0 million and NTD51.1 million for 2017 and 2016, representing the increase of approximately 35.0%. 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 strengthen its position as a turnkey solution provider in Taiwan and China. On 14 July 2017, the shares of the Company 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 were approximately HK$42.2 million, which will significantly help the Group to further expand its business operations.

TURNKEY SOLUTIONS

During the year, turnkey solutions was the major revenue source for the Group. For the year ended 31 December 2017, the Group recorded revenue of approximately NTD1,193.6 million (2016: approximately NTD1,094.2 million), an increase of approximately 9.1% compared with 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 for 2017 reached approximately 31.0% and approximately 51.8%, respectively.

TRADING OF SME AND PARTS

During 2017, the Group recorded revenue of approximately NTD44.8 million (2016: approximately NTD129.1 million) arising from trading of SME and parts, a decrease of approximately 65.3% compared with last year. Such drop was mainly due to a decrease in trading of SME and parts from the Group's overseas turnkey solutions providers. During the year, revenue from trading in SME and parts comprised approximately 3.6% 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 which have expanded rapidly in recent years and offered 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 Taiwan and China 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 on 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 year ended 31 December 2017, the Group recorded revenue of approximately NTD1,238.4 million (2016: approximately NTD1,223.3 million), representing an increase of approximately 1.2% compared with 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 year ended 31 December 2017, the Group recorded revenue of approximately NTD1,193.6 million and approximately NTD44.8 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 NTD34.6 million (2016: approximately NTD11.9 million) while basic and diluted earnings per share amounted to approximately NTD4.3 cents (2016: NTD1.6 cents). The increase of total comprehensive income attributable to owners of the Company mainly resulted from increasing trend of its gross profit and also attributable to the decreasing trend of its general and administrative expenses. The net profit margin during 2017 edged up to approximately 3.0% (2016: approximately 1.0%).

For 2017, Cost of sales for the Group reached approximately NTD1,001.2 million (2016: NTD988.3 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.

During 2017, the Group's gross profit amounted to approximately NTD237.2 million (2016: approximately NTD235.0 million), while the gross profit margin remained as fairly stable at approximately 19.1% (2016: approximately 19.4%).

LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 December 2017, the bank borrowings of the Group totaled approximately NTD487.1 million (2016: approximately NTD473.1 million). The gearing ratio of the Group was approximately 103.9% (2016: approximately 190.2%).

Charge on Assets

As at 31 December 2017, certain land and building of the Group with an aggregate carrying amount of approximately NTD212,276,000 (2016: NTD214,417,000) were pledged to secure the Group's bank facilities.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The business operations of the Group's subsidiaries were mainly conducted in the 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 2017, 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 31 December 2017, the Group did not have any significant capital commitments (2016: Nil) and significant contingent liability (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 year.

HUMAN RESOURCES

As at 31 December 2017, the Group employed approximately 131 employees (2016: 104). All of our 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 in the manner as stated in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). As at 31 December 2017, the Group has not used of any proceeds as stated in the section headed "Business Objectives, Future Plans and Use of Proceeds" in the Prospectus, saved as the Company has used part of the proceeds on the working capital of the Group.

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 existing self-owned 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; and

(5) working capital of the Group.

Dividend

The Board has recommended the payment of a final dividend of HK$0.01 per share in respect of the year ended 31 December 2017 (2016: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yang Ming-Hsiang (楊名翔) ("Mr. Yang"), aged 47, is the executive Director, chief executive officer and chairman of the Board of the Company. He also serves as the chairman of the nomination committee and the risk management committee as well as a member of the remuneration committee of the Company. Mr. Yang is primarily responsible for the overall business strategy and development of the Group. He joined the 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 the 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. As at 31 December 2017, Mr. Yang was interested in the shares of the Company, the details of which are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" in this annual report.

Mr. Fan Chiang-Shen (范強生) ("Mr. Fan"), aged 48, is the executive Director and deputy general manager of semiconductor business division of the Company. He also serves as a member of the risk management committee of the Company. Mr. Fan is primarily responsible for sales and engineering. He joined the 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. As at 31 December 2017, Mr. Fan was interested in the shares of the Company, the details of which are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" in this annual report.

Ms. Wei Hung-Li (魏弘麗) ("Ms. Wei"), aged 42, is the executive Director, chief financial officer, china region general manager and compliance officer of the Company. She also serves as a member of the remuneration committee, the nomination committee and the risk management committee of the Company. Ms. Wei is primarily responsible for financial management of the Group. She joined the 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 management 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. As at 31 December 2017, Ms. Wei was interested in the shares of the Company, the details of which are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Leung Ming (甘亮明) ("Mr. Kam"), aged 43, was appointed as the independent non-executive Director of the Company on 20 June 2017. He also serves as the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. 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) ("Mr. Cheng"), aged 43, was appointed as the independent non-executive Director of the Company on 20 June 2017. He also serves as the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. 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 as a fellow member in October 2014. He had also been an associate member of the Institute of Chartered Accountants in England and Wales since January 2008 and has admitted as a fellow member since January 2018. Mr. Cheng has extensive experience in accounting, auditing, and corporate financial management for about 18 years. He has over 12 years of audit experience in international accounting firms. Mr. Cheng currently serves as a financial controller and company secretary of BeijingWest Industries International Limited (stock code: 2339), a company listed on the Main Board of the Stock Exchange. 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: 1683), a company listed on the Main Board of the Stock Exchange. Mr. Cheng was primarily responsible for overseeing the overall financial management of the 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) ("Mr. Ho"), ages 44, was appointed as the independent non-executive Director of the Company on 20 June 2017. He also serves as a member of the audit committee, the remuneration committee and the nomination committee of the Company. 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 17 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.

SENIOR MANAGEMENT

Mr. Lin Yen-Po (林衍伯) ("Mr. Lin"), aged 45, is the deputy general manager of the customer service division of the Company and responsible for overseeing the engineering department of the Company. He joined the Group in December 2009. Mr. Lin obtained a Bachelor of Science in Chemical Engineering from the National Taiwan University of Science and Technology (國立台灣科技大學) in June 1998. Prior to joining the 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.

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie (袁穎欣) ("Ms. Yuen") has been appointed as the company secretary of the Company since 1 February 2018 and is responsible for the company secretary services of the Group. Ms Yuen is currently a director of the corporate service department of Tricor Services Limited ("Tricor"), which is a global professional provider of integrated business, corporate and investor services. Ms. Yuen has over 25 year of experience in corporate services and has provided corporate services for listed companies in Hong Kong and multi-national companies, private companies and offshore companies. Ms. Yuen currently serves as the company secretary of China First Chemical Holdings Limited (stock code: 2121) and OneForce Holdings Limited (stock code: 1933), which are listed on the Main Board of the Hong Kong Stock Exchange. Ms. Yuen graduated from Lingnan College (currently known as Lingnan University). Ms. Yuen is a Chartered Secretary and a fellow of both of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

REPORT OF THE BOARD OF DIRECTORS

The directors hereby present the report and the audited consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION AND LISTING

The Company is an exempted company incorporated in the Cayman Islands with limited liability in accordance with the Companies Law of the Cayman Islands on 6 June 2016. To prepare for the listing of its shares on the GEM of the Stock Exchange, the Company has carried out corporate reorganisation and has become a holding company of the Group. For further details of the corporate reorganisation of the Group, see the section headed "History, Reorganisation and Group Structure" in the prospectus. The shares were listed on the GEM of the Stock Exchange on 14 July 2017 (the "Listing Date").

PRINCIPAL BUSINESS

The Company is an investment holding company. Business of the major subsidiaries of the Company is set out in note 1 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Business of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 8 of this annual report. The discussion is an integral part of this Report of the Board of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to operate in compliance with the applicable environmental protection laws and methods in a bid to minimise the adverse effects of its existing business activities on the environment. Details of the environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 32 to 36 of this annual report.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the current knowledge of the Board and the management, the Group has not committed any violation or non-compliance of applicable laws and regulations that would have significant impact on the operation of the Group throughout the year ended 31 December 2017.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives. For the year ended 31 December 2017, there was no serious and material dispute between the Group and its employees, customers and suppliers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 41 of the annual report.

The Board has recommended the payment of a final dividend of HK$0.01 per share for the year ended 31 December 2017 (2016: Nil).

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 43 of this annual report.

The Company's reserves available for distribution to shareholders as of 31 December 2017 amounted to approximately NTD134,716,000 (2016: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last four financial years is set out on page 88 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2017 and 2016, sales to the Group's five largest customers, in aggregate represented approximately 80.24% and 81.86% of the Group's total sales, respectively. For the years ended 31 December 2017 and 2016, sales to the single largest customers amounted to approximately 29.88% and 40.46% of the Group's total sales, respectively.

For the years ended 31 December 2017 and 2016, purchases of raw materials, packaging materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 40.04% and 56.72% of the Group's total purchases, respectively. For the years ended 31 December 2017 and 2016, purchases from the single largest supplier amounted to approximately 14.93% and 23.8% of the Group's total purchases, respectively.

For the year ended 31 December 2017, none of the Directors or any of their associates or any shareholders, who to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

During the year and as of the date of this report, our Directors include:

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)

Pursuant to the articles 83(3), 84(1) and 84(2) of the articles of association of the Company (the "Articles of Association"), all Directors shall retire at the forthcoming annual general meeting of the Company (the "AGM") and being eligible, to offer themselves for re-election at the AGM.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that each of the independent non-executive Directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 9 to 11 of this report.

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

As at 31 December 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 position in the shares:

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

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 arrangements 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 31 December 2017, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

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

As at 31 December 2017, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were 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/Nature of interest	Number of shares held	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%
Tai-Yi Investment Co. Ltd ("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	682,050,000	68.20%
Mr. Lin Yen-Po	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%.

(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 arrangements 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.

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change and update in Directors' information is as follows:

Mr. Cheng Chun Shing was admitted as a fellow associate of the Institute of Chartered Accountants in England and Wales in January 2018. Mr. Cheng is also the financial controller of BeijingWest Industries International Limited (stock code: 2339), a company listed on the Main Board of the Stock Exchange, and has been appointed as its company secretary since 21 March 2018.

Save as disclosed above, the Directors are not aware of any other change in Directors' information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 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 year ended 31 December 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).

SHARE OPTION SCHEME OF THE COMPANY

The Companys' share option scheme (the "Share Option Scheme") was approved by a resolution of the Company's shareholders passed on 20 June 2017. The principal terms of the Share Option Scheme, a summary of which is set out in Appendix V to the prospectus, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

As of 31 December 2017 and up to the date of this annual report, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 31 December 2017 and up to the date of this annual report, there was no outstanding share option not yet exercised under the Share Option Scheme.

The following is a summary of the principal terms of the Share Option Scheme:

Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined 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.

Eligible Participants

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 the ways set out 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 directors, 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.

Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

100,000,000 shares, representing 10% of the total shares in issue of the Company as of the date of this annual report.

Maximum Entitlement under the Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue, unless otherwise approved by the Company's shareholders in general meeting with such Eligible Participant and his close associates abstaining from voting.

Minimum period, if any, for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the terms of the Share Option Scheme.

Amount Payable on Acceptance of the Options

An offer shall be deemed to have been accepted when the Company receives the duly signed offer letter together with a non-refundable payment of HK$1.00.

Period within which the securities must be taken up under an option

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.

Basis of Determining the Exercise Price

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.

Remaining Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date.

Further details of the Share Option Scheme are set out in Appendix V to the prospectus of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for an initial term of three (3) years commencing from the Listing Date, which may be terminated by not less than three (3) months' notice in writing served by either party on the other and is subject to provisions on retirement by rotation as set forth in the Articles of Association and the GEM Listing Rules.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of one (1) year commencing from 20 June 2017, which may be terminated by not less than one (1) month' notice in writing served by either party on the other and is subject to provisions on retirement by rotation as set forth in the Articles of Association and the GEM Listing Rules.

None of the Directors proposed for re-election at the forthcoming 2017 AGM has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Group did not entered into any connected transaction/continuing connected transaction which shall be discloseable under Chapter 20 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

To better safeguard our Group from any potential competition, each of our Company's controlling shareholders has entered into the deed of non-competition (the "Deed of Non-Competition") in favour of our Company dated 20 June 2017, whereby each of the 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 Company's shares in issue; or (ii) the relevant controlling shareholder remains as our Company's 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 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.

For the year ended 31 December 2017, none of the controlling shareholders of the Company has engaged in or negotiated for any new Business Opportunity relating to any restricted business under the Deed of Non-Competition.

The independent non-executive Directors have reviewed the written confirmation and relevant information provided by the controlling shareholders, and confirmed that all of the controlling shareholders have complied with the relevant provisions under the Deed of Non-Competition throughout the financial year ended 31 December 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date and up to the date of this report, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group's business) which, directly or indirectly, was or may be in competition or otherwise had any conflicts of interests with the Group's business.

PERMITTED INDEMNITY

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has not maintained any directors' liability insurance.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

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 31 December 2017.

The compliance adviser's appointment is for a period commencing on 14 July 2017 (i.e. the Listing Date) 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.

CORPORATE GOVERNANCE

The major corporate governance practices adopted by the Company are set out in the corporate governance report on pages 24 to 31.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme of the Company, there was no equity-linked agreement being entered into or remained subsisting during the year or as of the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, and there are no restrictions against such rights under the laws of Cayman Islands.

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

From the Listing Date to 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

REMUNERATION POLICY OF DIRECTORS AND SENIOR MANAGEMENT

Remunerations of each of the Directors and senior management members of the Company shall be reviewed by the Remuneration Committee after considering the results of operations of the Company, their individual performance and comparable market data.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, the Group employed approximately 131 (2016: 104) full-time employees and all located in Taiwan. The staff costs of the Group, including directors' emoluments, employees' salaries, allowances and other benefits amounted to approximately NTD156 million (2016: approximately NTD148 million).

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.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees of the Group, details of the Share Option Scheme are set out under the heading "Share Option Scheme of the Company" of this report.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.01 per share for the year ended 31 December 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 June 2018 to Wednesday, 27 June 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered shareholders of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on Thursday, 21 June 2018.

Entitlement to final dividend

For determining the entitlement to the final dividend (if approved), the register of members of the Company will be closed from Wednesday, 4 July 2018 to Friday, 6 July 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on Tuesday, 3 July 2018.

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 Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017. The Audit Committee is satisfied that the audited consolidated financial statements have complied with the applicable accounting standards and the requirements under the GEM Listing Rules.

AUDITORS

Elite Partners CPA Limited and Moore Stephens CPA Limited will retire at the forthcoming AGM.

On behalf of the Board

Genes Tech Group Holdings Company Limited
Yang Ming-Hsiang
Chairman and Executive Director

26 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") of the Company is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The Shares were first listed on GEM of the Stock Exchange on 14 July 2017 (the "Listing Date"). In the opinion of the Directors throughout the period from the Listing Date to 31 December 2017, the Company has complied with most of the code provisions as set out in the CG Code, except for code provision A.2.1.

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules in respect of securities transactions by directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to 31 December 2017.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises six Directors, consisting of three Executive Directors, namely Yang Ming-Hsiang, Fan Chiang-Shen and Wei Hung-Li, and three Independent Non-executive Directors, namely Kam Leung Ming, Cheng Chun Shing and Ho Pak Chuen Brian.

The biographical information of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 9 to 11 of the Annual Report for the year ended 31 December 2017.

None of the members of the Board is related to one another.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Throughout the period from the Listing Date to 31 December 2017, the Board held two meetings.

Chairman and Chief Executive Officer

Code provision A.2.1 as set out in Appendix 15 to the GEM Listing Rules stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Mr. Yang Ming-Hsiang is the Chief Executive Officer, and he also performs as the chairman of the Board as he has considerable experience in the semiconductor industry. The Board believes that vesting the roles of both the chairman of the Board and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Independent Non-executive Directors

During the period from the Listing Date to 31 December 2017, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the 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 the Directors as set forth in the Articles of Association.

The Independent Non-executive Directors of the Company are appointed for a specific term of 1 year, which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to termination provisions on the appointment letter and provisions on retirement by rotation of the Directors as set forth in the Articles of Association.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, 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 by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the period from the Listing Date to 31 December 2017, the Company has organized a training session for all Directors in relation to directors' duties and responsibilities/corporate governance/GEM Listing Rule etc.

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the period from the Listing Date to 31 December 2017 are summarized as follows:

Directors	Type of Training [Note]
Executive Directors	
Yang Ming-Hsiang	A & B
Fan Chiang-Shen	A & B
Wei Hung-Li	A & B
Independent Non-Executive Directors	
Kam Leung Ming	A & B
Cheng Chun Shing	A & B
Ho Pak Chuen Brian	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Risk Management Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Risk Management Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3.

Audit Committee

The Audit Committee consists of three Independent Non-executive Directors, namely Mr Cheng Chun Shing (chairman of the Audit Committee), Mr Kam Leung Ming and Mr Ho Pak Chuen Brian.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As the Company's Shares were listed on the GEM on 14 July 2017, the Audit Committee met the external auditors once without the presence of the Executive Directors.

Risk Management Committee

The Risk Committee consists of three Executive Directors, namely Mr Yang Ming-Hsiang (chairman of the Risk Management Committee), Mr Fan Chiang-Shen and Ms Wei Hung-Li.

The primary duties of the Risk Management Committee are to assist the Board in overseeing the risk management and internal control systems, reviewing the effectiveness of the internal audit function, and monitoring the establishment and reviewing of the overall risk management policies and procedures of the Group.

As the Company's Shares were listed on the GEM on 14 July 2017, the Risk Management Committee under the Board of the company had not yet held any meeting during the period from the Listing Date to 31 December 2017.

Remuneration Committee

The Remuneration Committee consists of five members, including two Executive Directors namely Mr Yang Ming-Hsiang and Ms Wei Hung-Li, and three Independent Non-executive Executive Directors namely Mr Kam Leung Ming (chairman of the Remuneration Committee), Mr Cheng Chun Shing and Mr Ho Pak Chuen Brian.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

As the Company's Shares were listed on the GEM on 14 July 2017, the Remuneration Committee under the Board of the company had not yet held any meeting during the period from the Listing Date to 31 December 2017.

Details of the remuneration of the senior management by band are set out in note 10 in the Notes to the Audited Financial Statements for the year ended 31 December 2017.

Nomination Committee

The Nomination Committee consists of five members, including two Executive Directors namely Mr. Yang Ming-Hsiang (chairman of the Nomination Committee) and Ms. Wei Hung-Li, and three Independent Non-executive Directors namely Mr. Kam Leung Ming, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant policies and procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy, where appropriate, before making recommendation to the Board.

As the Company's Shares were listed on the GEM on 14 July 2017, the Nomination Committee under the Board of the company had not yet held any meeting during the period from the Listing Date to 31 December 2017.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the reporting period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held for the period from the Listing Date to 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Risk Management Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Yang Ming-Hsiang	2/2	N/A	0/0	0/0	0/0	N/A
Fan Chiang-Shen	2/2	N/A	0/0	N/A	N/A	N/A
Wei Hung-Li	2/2	N/A	0/0	0/0	0/0	N/A
Kam Leung Ming	2/2	1/1	N/A	0/0	0/0	N/A
Cheng Chun Shing	2/2	1/1	N/A	0/0	0/0	N/A
Ho Pak Chuen Brian	2/2	1/1	N/A	0/0	0/0	N/A

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee and Risk Management Committee, assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board, the Audit Committee and Risk Management Committee on the effectiveness of the risk management and internal control systems for the period from the Listing Date to 31 December 2017.

In preparation for the Company's listing, the Company engaged an external professional firm to conduct a review on the effectiveness of the Group's internal control system covering major financial, operational and compliance controls, as well as risk management functions. The Board considered that such systems are effective and adequate.

Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the period from the Listing Date to 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 37 to 87.

Where appropriate, a statement from the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs Elite Partners CPA Limited and Moore Stephens CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	Fees Paid/Payable HK$
Audit Services	550,000
Non-audit Services	
— Reporting accountants	1,350,000
— Others	150,000

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie of Tricor Services Limited has been engaged by the Company as the Company's company secretary. Its primary contact person at the Company is Ms. Wei Hung-Li, an Executive Director and Chief Financial Officer of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

Ms. Yuen Wing Yan, Winnie has complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of the relevant professional training during the period from the Listing Date to 31 December 2017.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Company's Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 80, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan
(For the attention of the Board of Directors)

Email: gcompany@genestech.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address , apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Since the Listing Date, the Company has not held any general meeting.

The Articles of Association of the Company were amended pursuant to a special resolution passed at the general meeting of the Company on 20 June 2017. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group hereby presents our environmental, social and governance report for the year ended 31 December 2017 (the "ESG Report") in compliance with Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the GEM Listing Rules (the "ESG Guide").

The board of directors (the "Board") of the Company is responsible for our environmental, social and governance strategy and reporting, including the evaluation and determination of environmental, social and governance related risks, and ensuring that appropriate and effective environmental, social and governance risk management and internal control systems are in place. We have appointed our functional departments to conduct evaluation and internal discussion on the operation of the Group, and all employees from different divisions have actively participated in such discussion. We acknowledge that identification and evaluation of the relevant environmental, social and governance issues is essential to our business and staff. Our management has provided a confirmation to the Board on the effectiveness of the environmental, social and governance risk management and internal control systems.

According to the general disclosure requirements of the ESG Guide, this ESG Report contains the details regarding the major environmental, social and governance issues identified, which aims to fairly disclose the environmental, social and governance performance of the Group during its operation and to represent a full picture of the promotion of sustainable development as well as the performance of corporate social responsibilities of the Group.

ENVIRONMENTAL

Emissions

Genes Tech Group Holdings Company Limited is mainly engaged in the provision of equipment maintenance and support services to customers who are semiconductor manufacturers and is a supplier and exporter of used semiconductor manufacturing equipment and parts. Our services include relocation of machines from factory to factory, refurbishing and upgrade of equipment, process modification, repair and supply of semiconductor manufacturing equipment and parts. We strive to fully meet the potential needs of our customers.

Our turnkey solution of used semiconductor manufacturing equipment and parts enables our customers to extend the use of their depreciated semiconductor manufacturing equipment. Such equipment is refurbished by our engineers with technical skills and no significant emission is caused.

The Group has complied with all requirements promulgated by Hsinchu County Environmental Protection Bureau. The Group has not violated the Environmental Protection Act in the aspect of air pollution, water pollution, waste pollution, toxic chemicals, noise pollution and environmental impact and has not been subject to any punishment due to any acts of violation.

Emissions of the Group are mainly caused by vehicles for corporate use. For the year ended 31 December 2017, the emissions of nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respirable suspended particulates ("RSP"), or particulate matter ("PM") were 907g, 45.68g and 67g, respectively.

Greenhouse gas emissions of the Group are mainly direct emission from mobile combustion sources ("Scope 1"), indirect emission from the generation of power ("Scope 2") and other indirect emission ("Scope 3"). The greenhouse gas emissions from Scope 1, Scope 2 and Scope 3 were 8,414 kg, 343, 681kg and 51,919kg, respectively. The greenhouse gas emissions from Scope 3 were mainly emission from aircrafts took by employees for business trips.

The Group has attached high importance to waste management. Packaging materials, including wooden boxes, cartons, plywood boxes and foam boards, are used in the production and supply of used semiconductor manufacturing equipment and parts. The packaging materials used in packing used semiconductor manufacturing equipment are reused in packing parts for exports. The Group has reduced its packaging materials and reused its waste to mitigate waste in order to minimize the land pollution caused by wastes. The Group has also engaged professional waste handlers who have obtained licenses from the government to separate and handle waste.

Use of Resources

In order to reduce the use of resources in offices, employees are required to switch off their computers, printers and other electronic devices before leaving the office. The last employee leaving the office shall inspect all floors and levels and switch off unnecessary public appliances. The Group also takes measures to reuse resources. For instance, we promote paperless office to reduce the use of paper. We also encourage employees to take public transportation to improve the utilization efficiency of transportation and indirectly reduce energy consumption.

The Group strives to reduce the use of resources, including water, power and raw materials, in manufacturing. The management has formulated policies in relation to the efficient allocation of resources in manufacturing to minimize waste. The Group has also optimized its manufacturing plan for more effective energy consumption and reduction of raw materials and power consumption. The Group aims to support green initiatives through setting restriction on the use of lights and air-conditioners, conducting tests to explore more environmental-friendly raw materials and finding out measures to save resources. For the year ended 31 December 2017, the total electricity consumed was 649,680 kWh.

Environment and Natural Resources

Our turnkey solution of used semiconductor manufacturing equipment and parts enables our customers to extend the use of their depreciated semiconductor manufacturing equipment. We aim to create value for our customers with our manufacturing processes, which are conducted by our engineers with technical skills instead of heavy equipment. Therefore, our consumption of natural resources is natural consumption and no significant emission is caused.

Other than the wastes, emission of greenhouse gases and use of resources stated above, the operation of the Group does not have material and direct effect on the environment and natural resources. The Group has paid close attention to the effect of its daily operation and business on the environment and has complied with all applicable laws and regulations. During the reporting period, the Group was not aware of any violation of laws relating to the environment.

SOCIAL

Employment

In order to create a fair and equal working environment, the Group has formulated relevant policies and staff handbook in accordance with applicable requirements under the Taiwan Labor Standards Act.

The staff handbook sets out conditions of employment, including compensation and dismissal, working hours, leaves and other benefits. The staff handbook also contains important information, including the remuneration policies, employee benefits, rights on dismissal, appraisal and benefit system.

Anti-discrimination

In addition to general recruitment criteria including logical thinking, morality, knowledge, ability, experience and physical fitness, the Company also considers the requirement of special qualifications for different positions. No employee shall be discriminated against or dismissed due to their race, ethnicity, language, stand, religion, party, origin, place of birth, gender, sexual orientation, marital status, age, appearance, facial features, physical or mental disabilities or past union membership.

Our human resources department is responsible for the open recruitment procedure with transparent, fair and impartial standards. All candidates shall be treated equally with identical selection criteria and process.

Anti-sexual Harassment

In order to safeguard sexual equality and human dignity, the Company clearly emphasizes that zero tolerance must be given to sexual harassment in the workplace. With an aim to protect its employees from sexual harassment, the Company has put great efforts in improving facilities in the workplace and organized seminars in relation to the prevention of sexual harassment from time to time and encouraged its employees to participate in such seminars.

All managers and supervisors of the Group are refrained from sexual harassment towards any staff or candidate by taking advantage of their power, chances or other occasions at work, and shall prevent any sexual harassment towards any staff or candidate by any other parties. Employees shall not sexually harass their colleagues in the workplace and during the performance of job duties. Where any incident of sexual harassment as mentioned above is identified, the managers and supervisors of the Group shall take action to stop or address such cases appropriately. Otherwise, such officers are deemed to shield the sexual harassment behavior. The Group has also put in place strict punishment against any form of discrimination and sexual harassment behavior. Employees are encouraged to report any violation or acts causing damages to the interests of the Group through various channels at any time. In order to protect the rights of complainants, all information of complainants is kept confidential. The Group will not disclose the name or any other information that may indicate the identity of the complainants.

Health and Safety

For occupational safety and health and labor matters, the Group adopts relevant policies and measures in compliance with applicable Taiwan laws on occupational health and safety. In order to ensure occupational safety and health of employees in the working process, the Group has adopted various measures such as the provision of periodic training courses on the operations of equipment and workplace safety and use of protective equipment. The Group also requires employees to follow the manner of "6S", which entails our in-house management system comprising Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Safety. The safety manager in the safety and environmental department of the Group carries out regular safety inspection of our facilities to ensure that safety measures are complied with and working procedures are followed. The Group has established internal guidelines for staff to maintain a safe working environment, to operate machinery properly and prevent accident.

For occupational safety and health, pursuant to the relevant provisions of Taiwan Occupational Safety and Health Act, the Group provides physical examinations to newly-recruited staff and health checks to existing staff, formulates an occupational safety and health management plan, establishes safety and health organizations and personnel to implement safety and health management and self-inspections, formulates safety and health work rules, and provides safety and health education and training to employees. In addition, the Group enrolls all employees for the national health insurance which is a mandatory health insurance. The insurance covers employees, as the insurant, and their family members. The Group arranges physical examinations for each employee once every two years, which shows its emphasis on the health and safety of employees.

Development and Training

Technical engineers and management of the Group have been well-trained and have accumulated ample working experience in handling used semiconductor manufacturing equipment under this brand. They have also attended trainings to improve working knowledge and skills including quality management of used semiconductor manufacturing equipment, which enables them to effectively adapt to the operation of the Group with enhanced work-related skills and knowledge. The Group also encourages continuous development of employees by providing them with various internal and external trainings, including training and career development guidance for new employees, and allowing employees to participate external seminars, lectures and other programs. Upon completion of training, the Group collects after-class questionnaires or reports from employees in order to understand and improve training content. The Group wishes to maintain its reputation, continue to improve its expertise and business network on refurbishing used semiconductor manufacturing equipment and the cost-effectiveness of the provision of turnkey solution on used semiconductor manufacturing equipment, and become a leading player in the provision of turnkey solution to used semiconductor manufacturing equipment in Taiwan.

Labour Standards

The Group's labour employment policies are in compliance with various applicable regulations of Taiwan, and employment terms relating to the working environment, term of employment, working hours, rest days and holidays are in line with the regulations under the Labor Standards Act. The Group tolerates no child or forced labour. Our Group determines salaries of employees based on each employee's qualifications, position and seniority. In addition, pursuant to the relevant provisions of Taiwan Labor Insurance Act, our Group enrolls its employees for labor insurance. The insurance premium of labor insurance is calculated using the employee's monthly insured salary and insurance premium rate. Also, our Group has set out clear provisions for labour protection, working conditions, prevention and protection for occupation hazard in the staff handbook. Policy and procedures of new staff recruitment of our Group have complied with the requirements of national and regional regulatory policies.

The Group also pays attention to the retirement protection of employees.Our Group contributes labour pension of not less than 6% of its employees' monthly wage on a monthly basis to individual accounts of labor pension at the Bureau of Labor Insurance for its employees pursuant to the Labor Pension Act.

The Group has established an employee welfare committee. During the year, our Group did not experience any material dispute with our employees or disruption to our operations due to labour dispute, and there was no difficulty in the recruitment and renewal of experienced staff or skilled personnel.

Supply Chain Management

The procurement team of our Group is responsible for the procurement of used semiconductor manufacturing equipment and parts according to our business needs. For raw materials and suppliers, during the year of 2017, the largest component of our Group's costs of sales was the cost of used SME and Parts. Our Group sources the used semiconductor manufacturing equipment and parts mainly from (i) our overseas dealers, (ii) other overseas used semiconductor manufacturing equipment providers, as well as (iii) semiconductor manufacturing equipment and parts disposed of by our customers.

We select our suppliers from list contained in the ISO management manual, who are selected based on their pricing, records of timeliness of delivery, quality and capacity. The Group regularly reassesses the suppliers. Generally, we maintain reasonable inventory of major parts in order to reduce our costs and dependence on any single supplier. In 2017, our Group had 151 suppliers, including 142 suppliers located in Taiwan and other 9 suppliers located in regions including Korea, Japan, Hong Kong, Singapore and the United States, respectively.

The Group purchases used semiconductor manufacturing equipment upon receipt of purchase orders. We also purchase used semiconductor manufacturing equipment according to the market supply to lower our cost and minimise wastage. The Group does not enter into any long-term purchase agreement with our suppliers. The Group places purchase orders with our suppliers from time to time in accordance with our needs. We order used semiconductor manufacturing equipment and parts from our suppliers through individual purchase orders. Each purchase order specifies the specifications and quality of the used semiconductor manufacturing equipment and parts required.

Inventory of the Group comprises mainly used semiconductor manufacturing equipment and parts. We purchase the frequently ordered type of used semiconductor manufacturing equipment according to the market conditions to lower our cost and minimise wastage. The Group typically maintains a reasonable inventory of parts in anticipation of our needs for semiconductor manufacturing equipment refurbishment and our repair and maintenance services ordered from our customers. The Group has maintained a system to update the scheduled delivery of existing parts from time to time, and procurement plan is formulated based on such information.

Product Responsibility

The Group complies with the applicable Taiwan or overseas laws in relation to health and safety, advertising, labelling and privacy aspects. The quality control team of the Group is responsible for ensuring all products pass through our quality control process and meet our standards. We are accredited with the certification of "ISO 9001:2008 Quality Management System" for our good quality management. The Group monitors the quality of the incoming parts and our manufacturing process closely, and conducts performance and reliability testing on our finished and outgoing products to ensure that they meet the specifications of our customers.

The quality control team of our Group conducts appearance and quality inspections on all the incoming raw materials and equipments 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 the requirements of our Group and specifications, quality control team of our Group checks if its appearance, size and functions conform with the requirements of our Group and customers, 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.

The quality control team of our Group and engineer team conduct inspection of the semiconductor manufacturing equipment refurbishment based on our customers' RFQ and internal function test standards of our Group. Engineers of our Group will conduct testing on the machines or replace the parts to meet the requirements of our customer. All test results will be recorded in the test report. The quality control team of our Group 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-tested and are subject to in-house testing again after the re-test. Our Group will provide warranty on the finished products which pass final product quality control inspection of our Group.

Prior to the date of machine delivery, the Group further conducts inspection and confirm (i) the turnkey requirements and specifications of our customers; (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.

The Group has adopted a quality management system to ensure strict quality control on our products at various stages of our altering 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. Our Group believes our quality control throughout the whole service process has further enhanced our customers' confidence in our products. Furthermore, to protect the data, information and privacy of consumers, our Group keeps all information of customers confidential, and enters into non-disclosure agreement with customers, ensuring that information of customers will not be disclosed.

Anti-corruption

A system with good moral integrity and anti-corruption mechanism is the cornerstone for a sustainable and healthy development of our Group and therefore, our Group is committed to the compliance with laws and regulations related to anti-corruption. Our Group encourages the staff to conduct operation in an honest manner and in the interest of our Group. Our Group also strengthens its internal control and advocates honesty and self-disciplined working morale to promote self-discipline and integrity of staff and lawful operation, which ensures the sound development of various businesses of our Group.

To maintain high standard in our business integrity, there is no tolerance towards any corruption, fraud, money laundering and bribery. We have complied with all regulations against corruption, money laundering and bribery. During the reporting year, there were no media report regarding any corruption, bribery and money laundering incident of the Group and the Group did not involved in any legal proceedings regarding corruption, bribery and money laundering.

Community Investment

The Group is seeking opportunities to join various community programs in order to contribute to the society. As part of the strategy of sustainable development, the Group will fulfil its corporate social responsibility through enhancing efforts in charity works, and will study to maintain its business activities in line with the interest of community. In 2017, the Group supported the development of St. Joseph Social Welfare Foundation, whose mission is to help individuals with disabilities to have a life of dignity and quality by giving them long term help. A certificate of appreciation was awarded by the foundation.

INDEPENDENT AUDITORS' REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

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大華馬施雲
會計師事務所有限公司

To the Shareholders of
Genes Tech Group Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Genes Tech Group Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 87, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories	
The Group measures inventories at the lower of cost and net realisable value. As at 31 December 2017, the total inventories amounted to approximately NTD947,498,000, which represented approximately 59.8% of the total assets. The Group's inventories may have their net realisable values below costs due to obsolete and slow-moving items caused by technology changes and upgrade. The calculation of net realisable values involves significant management estimates relating to forecast inventory usage, price discounting and scrap values. Accordingly, we have identified net realisable value of inventories as a key audit matter. The Group's disclosures on the inventory provision are included in notes 3.6, 4 and 15 to the consolidated financial statements.	Our audit procedures to evaluate the net realisable value of inventories made by the management of the Company included: — Reviewing the basis for the calculation of the net realisable value of inventories; — Assessing the consistency of provisioning policy applied and the rationale for the recording of inventory write-down; — Testing the underlying data used by the management of the Company to identify and quantify obsolete and slow moving inventory, including testing the ageing calculation, comparing management's estimation against historical usage; and — Recalculating the provision for a sample of inventories and reviewing subsequent developments after the reporting date.
Impairment assessment of trade and bills receivables	
As at 31 December 2017, the Group had trade and bills receivables with the aggregate amount amounting to approximately NTD81,465,000. The Group has not provided any impairment loss on receivables for the year ended 31 December 2017. In determining whether there is objective evidence of impairment loss and the amount of impairment loss to be recognised, the management of the Company takes into consideration the historical settlement pattern, creditworthiness and working relationship with customers in evaluating the recoverability of the trade receivables which require significant management judgement. Accordingly, we have identified impairment assessment of trade and bills receivables as a key audit matter. The Group's disclosures on the trade and bill receivables are included in notes 3.7, 4 and 16 to the consolidated financial statements.	Our procedures to evaluate the impairment assessment of trade and bills receivables made by the management of the Company included: — Discussing with the management the Company's procedures for granting of credit periods to its customers; — Evaluating the impairment indication for each trade receivable balance by performing ageing analysis of the trade receivables; — Challenging the management's assessment of the recoverability of long outstanding and overdue trade receivables; — Checking, on a sample basis, the subsequent settlement of trade receivables; and — Checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade receivables.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2017 of the Company other than the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee of the Company assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Elite Partners CPA Limited
Certified Public Accountants

Siu Jimmy
Practising Certificate Number: P05898
Hong Kong, 26 March 2018

Moore Stephens CPA Limited
Certified Public Accountants

Li Wing Yin
Practising Certificate Number: P05035
Hong Kong, 26 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 NTD'000	2016 NTD'000
Revenue	6	**1,238,370**	1,223,294
Cost of sales		**(1,001,211)**	(988,312)
Gross profit		**237,159**	234,982
Other income, gains and losses	6	**(879)**	(10,570)
Selling and distribution expenses		**(38,695)**	(37,788)
General and administrative expenses		**(131,673)**	(139,122)
Finance costs	7	**(8,478)**	(9,037)
Profit before income tax	8	**57,434**	38,465
Income tax expense	9	**(19,971)**	(26,354)
Profit for the year attributable to owners of the Company		**37,463**	12,111
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of a foreign subsidiary		**(2,899)**	(175)
Total comprehensive income for the year attributable to owners of the Company		**34,564**	11,936
Earnings per share			
Basic and diluted (NTD cents)	12	**4.32**	1.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 NTD'000	2016 NTD'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**247,132**	259,054
Intangible assets	14	**1,807**	2,206
Deferred tax assets	22	**18,984**	12,615
		267,923	273,875
Current assets			
Inventories	15	**947,498**	641,626
Trade and bills receivables	16	**81,465**	182,048
Prepayments, deposits and other receivables	17	**45,127**	41,586
Cash and cash equivalents	18	**241,489**	79,092
		1,315,579	944,352
Current liabilities			
Trade payables	19	**174,292**	178,897
Other payables and accruals	20	**438,698**	304,507
Bank borrowings	21	**349,166**	301,773
Tax payables		**14,710**	12,975
		976,866	798,152
Net current assets		**338,713**	146,200
Total assets less current liabilities		**606,636**	420,075
Non-current liabilities			
Bank borrowings	21	**137,944**	171,333
Net assets		**468,692**	248,742
EQUITY			
Share capital	23	**38,815**	32,499
Reserves	24	**429,877**	216,243
Total equity		**468,692**	248,742

The consolidated financial statements on pages 41 to 87 were approved and authorised for issue by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Yang Ming-Hsiang
Executive Director

Wei Hung-Li
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital NTD'000 (Note 23)	Share premium* NTD'000 (Note 24)	Statutory reserve* NTD'000 (Note 24)	Other reserve* NTD'000 (Note 24)	Exchange reserve* NTD'000 (Note 24)	Retained earnings* NTD'000 (Note 24)	Total equity NTD'000
At 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
Arising from group reorganisation	(149,727)	–	–	149,727	–	–	–
Issue of new shares (note 23)	80,565	–	–	–	–	–	80,565
Repurchase of shares (note 23)	(48,339)	–	–	–	–	–	(48,339)
Dividend	–	–	–	–	–	(48,332)	(48,332)
Transfer to statutory reserve	–	–	5,789	–	–	(5,789)	–
Transactions with owners	(117,501)	–	5,789	149,727	–	(54,121)	(16,106)
At 31 December 2016 and 1 January 2017	**32,499**	**–**	**24,892**	**149,727**	**(175)**	**41,799**	**248,742**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**37,463**	**37,463**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(2,899)**	**–**	**(2,899)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(2,899)**	**37,463**	**34,564**
Arising from group reorganisation	**(32,499)**	**–**	**–**	**32,499**	**–**	**–**	**–**
Issue of shares upon share offer (note 23)	**9,704**	**203,779**	**–**	**–**	**–**	**–**	**213,483**
Issue of shares upon capitalisation (note 23)	**29,111**	**(29,111)**	**–**	**–**	**–**	**–**	**–**
Expenses incurred in connection with the issue of shares upon share offer	**–**	**(28,097)**	**–**	**–**	**–**	**–**	**(28,097)**
Transfer to statutory reserve	**–**	**–**	**7,067**	**–**	**–**	**(7,067)**	**–**
Transactions with owners	**6,316**	**146,571**	**7,067**	**32,499**	**–**	**(7,067)**	**185,386**
At 31 December 2017	**38,815**	**146,571**	**31,959**	**182,226**	**(3,074)**	**72,195**	**468,692**

* The total of these balances represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 NTD'000	2016 NTD'000
Cash flows from operating activities			
Profit before income tax		**57,434**	38,465
Adjustments for:			
Interest expenses	7	**8,478**	9,037
Reversal of impairment loss on trade receivables	6	**–**	(82)
Write-down of inventories to net realisable value	8	**6,417**	–
Bank interest income	6	**(198)**	(87)
Provision of warranty	8	**19,495**	18,452
Amortisation of intangible assets	8	**1,012**	908
Depreciation of property, plant and equipment	8	**13,777**	12,745
Operating profit before working capital changes		**106,415**	79,438
(Increase)/decrease in inventories		**(312,289)**	221,609
Decrease in trade and bills receivables		**100,583**	19,813
(Increase)/decrease in prepayments, deposits and other receivables		**(3,541)**	25,327
(Decrease)/increase in trade payables		**(4,605)**	69,153
Increase/(decrease) in other payables and accruals		**114,696**	(495,465)
Cash generated from/(used in) operations		**1,259**	(80,125)
Income tax paid		**(24,605)**	(22,305)
Net cash used in operating activities		**(23,346)**	(102,430)
Cash flows from investing activities			
Acquisition of intangible assets		**(613)**	(503)
Interest income		**198**	87
Purchase of property, plant and equipment		**(1,855)**	(29,845)
Net cash used in investing activities		**(2,270)**	(30,261)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2017

	Notes	2017 NTD'000	2016 NTD'000
Cash flows from financing activities			
Interest paid		**(8,478)**	(9,037)
Proceeds from bank borrowings		**138,499**	722,624
Repayments of bank borrowings		**(124,495)**	(641,828)
Repayment to a shareholder		**–**	(6,346)
Issuance of new shares	23	**213,483**	80,565
Expenses incurred in connection with the issue of shares	23	**(28,097)**	–
Repurchase of shares	23	**–**	(48,339)
Dividend paid		**–**	(48,332)
Net cash generated from financing activities		**190,912**	49,307
Net increase/(decrease) in cash and cash equivalents		**165,296**	(83,384)
Cash and cash equivalents at beginning of year		**79,092**	162,651
Effect of foreign exchange rate changes		**(2,899)**	(175)
Cash and cash equivalents at end of year		**241,489**	79,092
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents	18	**241,489**	79,092

1. GENERAL INFORMATION

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 shares of the Company are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 July 2017. The Group's principal place of business is located at No. 8, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Republic of China (the "ROC").

The Company is an investment holding company and its subsidiaries are principally engaged in providing turnkey solution and trading of used semiconductor manufacturing equipment and parts. Its parent and ultimate holding company is Queenbest Development Limited, a private company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Mr. Yang Ming-Hsiang ("Mr. Yang").

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
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 ROC
Interests held indirectly				
靖洋科技股份有限公司 Genes Tech Co. Limited* ("Genes Tech")	Incorporated in the ROC on 28 December 2009 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

* 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.

2. BASIS OF PRESENTATION AND PREPARATION

2.1 Basis of presentation and reorganisation

Pursuant to the group reorganisation ("the Reorganisation") in preparation for the listing, the Company has since 20 June 2017 become the holding company of the subsidiaries now comprising the Group, the details of which are set out in the prospectus of the Company dated 30 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 which have no commercial substance and do not form a business combination. Accordingly, the consolidated financial statements 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 statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the current year and prior year have been prepared to present the financial performance, changes in equity and cash flows of the Group as if the current group structure had been in existence throughout the current year and prior year, or since their respective dates of incorporation/establishment or acquisition, where applicable.

The consolidated statement of financial position of the Group as of 31 December 2016 have been prepared to present the assets and liabilities of the Group 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 intragroup 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.

2.2 Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

These consolidated financial statements are presented in NTD and all values are rounded to the nearest thousands, except when otherwise indicated. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

2.2 Basis of preparation of the consolidated financial statements *(Continued)*

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the Group and had become effective during the year. In preparing the consolidated financial statements, the Group has adopted all these new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements that are mandatory for the accounting period beginning on 1 January 2017.

HKAS 7 Amendments	Disclosure Initiative
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle

None of these amendments have had a material effect on how the Group's financial performance and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been included in note 18 to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of Cash Flows: Disclosure Initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information for prior year has not been provided in accordance with the transitional provisions of the amendments. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements:

		Effective for annual reporting periods beginning on or after
HKAS 40	Transfers of Investment Property	1 January 2018
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 Amendments	Clarification to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HK (IFRIC)–Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC)–Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKFRS 10 and HKAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2017. The effective date has now been deferred. Early application of the amendments continues to be permitted.

2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

2.2 Basis of preparation of the consolidated financial statements *(Continued)*

The directors of the Company (the "Directors") anticipate that all of the pronouncements will be adopted by the Group when they become effective. 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 are likely to have significant impact on the Group's consolidated financial statements are set out below.

HKFRS 9 "Financial Instruments"

HKFRS 9 has introduced new requirements for (a) classification and measurement of financial assets, (b) impairment of financial assets and (c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognised in profit or loss, except that the group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment. The Directors have performed a preliminary assessment and believed that the Group's financial assets as at 31 December 2017 currently measured at amortised cost will continue to be measured on the same basis upon the adoption of HKFRS 9. Such an assessment is subject to change when the Directors perform a more detailed analysis.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss. The Group currently does not have any financial liabilities designated at fair value through profit or loss and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. The Directors expect that the adoption of HKFRS 9 is likely to result in significant impact on the Group's financial performance.

2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

2.2 Basis of preparation of the consolidated financial statements *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the group's risk management activities have also been introduced. The Group currently does not apply any hedge accounting and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

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 since after-sale warranties cannot be purchased separately and they merely serve as an assurance that the products sold comply with the agreed-upon specifications, 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 preliminarily believed that applying this standard is not expected to have any significant impact on the Group's financial position and performance. Such an assessment is subject to change when the Directors perform a more detailed analysis.

2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

2.2 Basis of preparation of the consolidated financial statements *(Continued)*

HKFRS 16 "Leases"

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements. As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately NTD7,520,000 as set out in Note 26. The Group expects that the adoption of HKFRS 16 is unlikely to result in significant impact on the Group's financial but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement performance of financial position as right-of-use assets and lease liabilities.

Except for the above, the management of the Group anticipates that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (I.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of consolidation *(Continued)*

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to the profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 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.

3.3 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Property, plant and equipment *(Continued)*

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 on freehold land	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.

3.4 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 lives 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 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.

3.6 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.

3.7 Financial assets

The Group's financial assets mainly comprise loans and receivables including trade and bills receivables, refundable deposits and other receivables 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Financial assets *(Continued)*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Financial assets *(Continued)*

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 management 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.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks.

3.9 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals and bank borrowings, 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 3.15). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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.

3.10 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 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.

3.12 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 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.

3.14 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Foreign currencies *(Continued)*

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 statement of changes in equity.

3.15 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.

3.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 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 according to the relevant agreements with customers. 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, there may be price reduction to reimburse 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 information as well as current information that is available to the Group.

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.

3.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company 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.

3.19 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Related parties *(Continued)*

(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 Company'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.

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 year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Provision of warranty

Warranty provision is based on the estimated cost of product warranties when revenue is recognised, usually within a period of six months to not more than twelve months from the date of sale. 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 of the Company in order to allocate resources and assess performance of the segment. For the current and prior years, executive directors of the Company 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.

	2017 NTD'000	2016 NTD'000
The ROC (place of domicile)	**384,139**	555,293
The PRC	**657,126**	553,254
The United States	**15,707**	17,458
South Korea	**10,268**	34,968
Singapore	**155,048**	32,546
Other countries	**16,082**	29,775
	1,238,370	1,223,294

Information about major customers

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

	2017 NTD'000	2016 NTD'000
Customers		
A	**370,083**	N/A[1]
B	**226,957**	494,913
C	**170,654**	325,555

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:

	2017 NTD'000	2016 NTD'000
Revenue		
Provision of turnkey solution	**1,193,582**	1,094,222
Trading of semiconductor manufacturing equipment and parts	**44,788**	129,072
	1,238,370	1,223,294
Other income, gains and losses		
Bank interest income	**198**	87
Rental income	**48**	–
Loss on exchange	**(5,563)**	(15,045)
Reversal of impairment loss on trade receivables	**–**	82
Sundry income	**4,438**	4,306
	(879)	(10,570)

7. FINANCE COSTS

	2017 NTD'000	2016 NTD'000
Interests on bank borrowings	**8,478**	9,037

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2017 NTD'000	2016 NTD'000
Auditors' remuneration (note (a))		
— Audit services	2,745	350
— Non-audit services	5,850	6,233
Cost of inventories recognised as expenses	975,298	969,859
Write-down of inventories to net realisable value	6,417	–
Amortisation of intangible assets (note (b))	1,012	908
Depreciation of property, plant and equipment (note (c))	13,777	12,745
Listing expenses	31,537	38,976
Research expense	2,304	4,514
Provision of warranty	19,495	18,452
Employee benefits expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	150,950	143,046
Defined contribution retirement plan (note (d))	5,305	4,758
	156,255	147,804
Minimum lease payments in respect of		
— Properties	1,436	5,222
— Office equipment	2,511	2,848

Notes:

(a) Non-audit services represent the services provided by the Company's auditors for acting as the reporting accountants of the Company for the listing and for other services. The amount represents part of the services' fee amounting to approximately NTD15,185,000 for acting as the reporting accountants, which are expensed in the profit or loss and included as part of the listing expenses.

(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" amounting to approximately NTD8,620,000 (2016: NTD8,468,000) and NTD5,157,000 (2016: NTD4,277,000), respectively, for the year.

(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 year (2016: Nil).

9. INCOME TAX EXPENSE

	2017 NTD'000	2016 NTD'000
Current tax — The ROC		
— Charge for the year	**18,404**	18,515
— Withholding tax	**–**	11,605
— Additional income tax on the undistributed surplus earnings in prior years	**6,360**	–
— Under-provision in respect of prior years	**1,576**	–
	26,340	30,120
Deferred tax		
— Credited to the profit or loss (note 22)	**(6,369)**	(3,766)
	19,971	26,354

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% (2016: 17%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and Anguilla, neither the Company nor any of its subsidiaries is subject to any income tax under the jurisdictions during the year (2016: Nil).

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% (2016: 10%) on the undistributed surplus earnings in prior years.

Reconciliation between income tax expense and profit before income tax at applicable tax rate is as follows:

	2017 NTD'000	2016 NTD'000
Profit before income tax	**57,434**	38,465
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**9,764**	6,539
Tax effect of non-deductible expenses	**6,894**	8,377
Tax effect of non-taxable income	**(1,577)**	(167)
Under-provision in respect of prior years	**1,576**	–
Withholding tax	**–**	11,605
Additional income tax on the undistributed surplus earnings in prior years	**6,360**	–
Others	**(3,046)**	–
Income tax expense	**19,971**	26,354

10. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the entities comprising the Group to the directors of the Company are as follows:

(a) Directors' remuneration

	Fees NTD'000	Salaries, allowances and benefits in kind NTD'000	Retirement benefit costs NTD'000	Total NTD'000
Year ended 31 December 2017				
Executive directors:				
Mr. Yang	**1,336**	**3,589**	**–**	**4,925**
Mr. Fan Chiang-Shen ("Mr. Fan")	**868**	**3,131**	**–**	**3,999**
Ms. Wei Hung-Li ("Ms. Wei")	**1,336**	**2,971**	**–**	**4,307**
Independent non-executive directors:				
Mr. Kam Leung Ming	**468**	**–**	**–**	**468**
Mr. Cheng Chun Shing	**468**	**–**	**–**	**468**
Mr. Ho Pak Chuen Brian	**468**	**–**	**–**	**468**
	4,944	**9,691**	**–**	**14,635**
Year ended 31 December 2016				
Executive directors:				
Mr. Yang	400	4,395	–	4,795
Mr. Fan	400	3,773	–	4,173
Ms. Wei	400	3,576	–	3,976
	1,200	11,744	–	12,944

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

10. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals consisted of three (2016: three) directors for the year, details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining two (2016: two) highest paid individuals for the year are as follows:

	2017 NTD'000	2016 NTD'000
Salaries, allowances and benefits in kind	**4,951**	5,845
Retirement benefits — defined contribution retirement plans	**191**	216
Total	**5,142**	6,061

During the year, 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 (2016: Nil).

The emoluments of the two (2016: two) individuals with the highest emoluments are within the following band:

	2017	2016
Nil to HK$1,000,000	**2**	2

(c) Senior management's emoluments

The number of senior management (excluding the Directors) whose remuneration fell within the following band is as follows:

	2017	2016
Nil to HK$1,000,000	**2**	2

11. DIVIDENDS

	2017 NTD'000	2016 NTD'000
Interim dividends	–	48,332
Proposed final dividend of HK$0.01 per share (2016: Nil)	37,955	–

Subsequent to the end of the reporting period, a final dividend of HK$10,000,000 (equivalent to NTD37,955,000) or HK$0.01 (equivalent to approximately NTD0.04) per share in respect of the year ended 31 December 2017 (2016: Nil) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting to be held on 27 June 2018. These financial statements do not reflect this recommended dividend.

The interim dividends for the year ended 31 December 2016 amounting to approximately NTD48,332,000 represented interim dividends declared by the subsidiaries of the Group to its then shareholders, and were fully settled in cash during the year ended 31 December 2016.

12. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the profit for the year attributable to owners of the Company of approximately NTD37,463,000 (2016: approximately NTD12,111,000) and the weighted average of 867,123,888 (2016: 750,000,000) shares in issue during the year.

The 750,000,000 shares used to calculate the basic earnings per share for the year ended 31 December 2016 represented the number of shares of the Company immediately prior to the listing of the Company's shares on GEM as if the shares had been in issue throughout the year ended 31 December 2016.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2017 includes the weighted average effect of 250,000,000 shares issued upon the share offer of the Company's shares on 14 July 2017, in addition to the aforementioned 750,000,000 shares used in the calculation of basic earnings per share for the year ended 31 December 2016.

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land* NTD'000	Building NTD'000	Leasehold improvements NTD'000	Office equipment NTD'000	Total NTD'000
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	68,983	145,434	13,335	31,302	259,054
At 31 December 2016 and 1 January 2017					
Cost	68,983	158,055	23,085	42,436	292,559
Accumulated depreciation	–	(12,621)	(9,750)	(11,134)	(33,505)
Net carrying amount	68,983	145,434	13,335	31,302	259,054
Year ended 31 December 2017					
Opening net carrying amount	**68,983**	**145,434**	**13,335**	**31,302**	**259,054**
Additions	**–**	**964**	**146**	**745**	**1,855**
Depreciation	**–**	**(3,105)**	**(2,923)**	**(7,749)**	**(13,777)**
Closing net carrying amount	**68,983**	**143,293**	**10,558**	**24,298**	**247,132**
At 31 December 2017					
Cost	**68,983**	**159,019**	**23,231**	**43,181**	**294,414**
Accumulated depreciation	**–**	**(15,726)**	**(12,673)**	**(18,883)**	**(47,282)**
Net carrying amount	**68,983**	**143,293**	**10,558**	**24,298**	**247,132**

* The Group's land is located in the ROC and is a freehold land.

Land and building with an aggregate carrying amount of approximately NTD212,276,000 (2016: NTD214,417,000) of the Group are pledged to a bank to secure banking facilities granted to the Group (note 21) as at 31 December 2017.

14. INTANGIBLE ASSETS

	Computer software NTD'000
Cost	
At 1 January 2016	3,693
Additions	503
At 31 December 2016 and 1 January 2017	4,196
Additions	613
At 31 December 2017	**4,809**
Accumulated amortisation	
At 1 January 2016	1,082
Amortisation provided for the year	908
At 31 December 2016 and 1 January 2017	1,990
Amortisation provided for the year	1,012
At 31 December 2017	**3,002**
Net book value	
At 31 December 2017	**1,807**
At 31 December 2016	2,206

15. INVENTORIES

	2017 NTD'000	2016 NTD'000
Raw materials	**628,029**	412,085
Work in progress	**248,727**	214,056
Finished goods	**70,742**	15,485
	947,498	641,626

Provision for inventories amounting to approximately NTD6,417,000 (2016: Nil) were made against those finished goods and raw materials with net realisable values being lower than carrying values for the year.

16. TRADE AND BILLS RECEIVABLES

	2017 NTD'000	2016 NTD'000
Trade receivables	**76,276**	177,828
Bills receivables	**5,189**	4,220
	81,465	182,048

The Group normally allows credit period ranging from 30 to 90 days (2016: 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:

	2017 NTD'000	2016 NTD'000
1–30 days	**49,500**	145,126
31–90 days	**17,030**	14,616
91–180 days	**3,422**	13,583
181–365 days	**2,494**	4,504
Over 1 year	**9,019**	4,219
	81,465	182,048

Some of the trade receivables that were not impaired but are past due as at each reporting date. Ageing analysis of trade receivables not impaired is as follows:

	2017 NTD'000	2016 NTD'000
Neither past due nor impaired	**68,172**	160,605
Past due but not impaired		
1–60 days past due	**1,580**	9,689
61–180 days past due	**2,080**	4,962
181–365 days past due	**2,030**	2,573
Over 1 year past due	**7,603**	4,219
	13,293	21,443
	81,465	182,048

16. TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables are 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:

	2017 NTD'000	2016 NTD'000
At 1 January	**–**	82
Recovery of impairment loss previously recognised	**–**	(82)
At 31 December	**–**	–

As at 31 December 2017, no provision of impairment loss has been recognised (2016: Nil).

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 NTD'000	2016 NTD'000
Prepayments	**35,973**	28,857
Deposits	**3,041**	3,650
Other receivables	**6,113**	9,079
	45,127	41,586

18. 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.

Reconciliation of liabilities arising from financing activities

The table below shows changes in the Group's liabilities from financing activities, including both cash and non-cash changes.

	Bank borrowings NTD'000
At 1 January 2017	473,106
Changes from financing cash flows:	
Proceeds from bank borrowings	138,499
Repayment of bank borrowings	(124,495)
Interest paid	(8,478)
Total changes from financing cash flows	5,526
Other changes	
Interest expenses (Note 7)	8,478
Total other changes	8,478
As at 31 December 2017	**487,110**

19. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice dates, as at each reporting date is shown as follow:

	2017 **NTD'000**	2016 NTD'000
Current or less than 1 month	**145,421**	177,177
1 to 3 months	**20,933**	1,720
More than 3 months to 1 year	**7,938**	–
	174,292	178,897

20. OTHER PAYABLES AND ACCRUALS

	2017 **NTD'000**	2016 NTD'000
Other payables	**2,292**	1,855
Accruals	**102,320**	85,243
Provision of warranty	**27,926**	16,922
Receipt in advance from customers	**306,160**	200,487
	438,698	304,507

21. BANK BORROWINGS

	2017 NTD'000	2016 NTD'000
Current		
Bank borrowings — unsecured (note (a))	**138,500**	91,106
Bank borrowings — secured (note (b))	**175,000**	175,000
Current portion of long-term bank borrowing — unsecured (note (c))	**27,333**	27,334
Current portion of long-term bank borrowing — secured (note (d))	**8,333**	8,333
	349,166	301,773
Non-current		
Long-term bank borrowing — unsecured (note (c))	**29,611**	54,666
Long-term bank borrowings — secured (note (d))	**108,333**	116,667
	137,944	171,333

Notes:

(a) The bank borrowings are carried at amortised cost. Interests are charged at rate ranging from 2.20% to 3.35% per annum (2016: 1.85% to 2.30% per annum) as at 31 December 2017.

(b) The short-term borrowing at 31 December 2017 and 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% above the bank's NTD prime rate per annum and is repayable in 12 monthly installments.

(c) The unsecured loan with a principal amount of NTD82,000,000 bears interest at 1.04% above the bank's NTD prime rate per annum and is repayable in 36 monthly installments.

(d) As at 31 December 2017 and 2016, there are two loans with principal amounts of NTD108,000,000 and NTD17,000,000, bearing interest at 0.74% above the bank's NTD prime rate per annum and repayable in 180 monthly installments. These borrowings are secured by land and building of the Group (note 13).

(e) All the short-term unsecured bank borrowings amounting to approximately NTD25,155,000 as at 31 December 2016 were guaranteed by Mr. Yang (note 25). All such personal guarantees by Mr. Yang were released in February 2017.

As at each reporting date, total current and non-current bank borrowings were repayable as follows:

	2017 NTD'000	2016 NTD'000
On demand or within 1 year	**349,166**	301,773
More than 1 year, but not exceeding 2 years	**37,944**	35,667
More than 2 years, but not exceeding 5 years	**25,000**	52,333
After 5 years	**75,000**	83,333
	487,110	473,106

22. DEFERRED TAXATION

The movements of the deferred tax assets/(liabilities) during the year are shown as follows:

	Unrealised exchange difference NTD'000	Provision for impairment loss on trade receivables NTD'000	Provision for obsolete inventories NTD'000	Provision of warranty NTD'000	Timing differences in recognising gross profits NTD'000	Others NTD'000	Total NTD'000
At 1 January 2016	(4,369)	823	6,090	2,791	3,155	359	8,849
Credited/(Charged) to profit or loss	4,163	(823)	–	86	(2,360)	2,700	3,766
At 31 December 2016	(206)	–	6,090	2,877	795	3,059	12,615
Credited/(Charged) to profit or loss	157	–	1,091	1,871	5,239	(1,989)	6,369
At 31 December 2017	**(49)**	**–**	**7,181**	**4,748**	**6,034**	**1,070**	**18,984**

For the purpose of presentation in the consolidated statement 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:

	2017 NTD'000	2016 NTD'000
Deferred tax assets	**19,033**	12,821
Deferred tax liabilities	**(49)**	(206)
Deferred tax assets, net	**18,984**	12,615

23. SHARE CAPITAL

	Number of Shares	Share capital NTD'000
Ordinary shares of HK$0.01 each in the share capital of the Company		
Authorised:		
Upon incorporation (note i)	38,000,000	1,475
Increased during the year (note ii)	1,962,000,000	76,155
As at 31 December 2017	**2,000,000,000**	**77,630**

	Number of Shares	Share capital NTD'000
Issued and fully paid		
At 1 January 2016	N/A#	150,000*
Arising from group reorganisation	N/A#	(149,727)
Issue of new shares (note iii)	N/A#	80,565
Repurchase of shares (note iii)	N/A#	(48,339)
At 31 December 2016 and 1 January 2017	1	32,499*
Arising from Reorganisation (note ii)	9,999	(32,499)
Capitalisation issue (note v)	749,990,000	29,111
Issue of shares (note v)	250,000,000	9,704
As at 31 December 2017	**1,000,000,000**	**38,815**

* The opening balance as of 1 January 2016 represented share 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.

The number of shares is not presented as such information is not meaningful having regard that it represented the share capital of the Group's subsidiaries prior to listing.

23. SHARE CAPITAL *(Continued)*

Notes:

(i) On 6 June 2016, the Company was incorporated in the Cayman Islands with authorised share capital of HK$380,000 divided into 38,000,000 shares of par value of HK$0.01 each. On the date of incorporation, 1 share of the Company was allotted and issued at HK$0.01 to the initial subscriber, who then immediately transferred such share to Mr. Yang.

(ii) Pursuant to resolutions in writing of all the Company's shareholders passed on 20 June 2017, the authorised share capital was increased from HK$380,000 to HK$20,000,000 divided into 2,000,000,000 shares by creation of an additional 1,962,000,000 ordinary shares of par value of HK$0.01 each.

(iii) On 4 July 2016, Top Vitality allotted and issued 2,267 shares to Double Solutions Limited "Double Solutions" at a consideration of HK$20,000,000 (NTD80,565,000), which represented 22.67% of the enlarged share capital of Top Vitality.

(iv) On 15 July 2016, Top Vitality and Double Solutions agreed to reduce the investment amount from HK$20,000,000 to HK$8,000,000. Consequently, the shareholdings of Double Solutions reduced to 770 shares, which represented 9.06% of the enlarged shre capital of Top Vitality.

(v) On 20 June 2017, the Company acquired the entire issued share capital of Top Vitality from Queenbest Development Limited, Ever Wealth Holdings Limited, Planeta Investments Limited, Tai-Yi Investment Co. Ltd, Mr. Yang, Ms. Wei, Mr. Fan Chiang-Shen, Mr. Lin Yen-Po and Double Solutions of 4,247 shares, 920 shares, 723 shares, 1,262 shares, 317 shares, 217 shares, 33 shares, 14 shares and 770 shares respectively. In exchange, the Company allotted and issued a total of 9,999 shares to the then shareholders of Top Vitality.

(vi) Pursuant to minutes of the meeting of the board of directors of the Company held on 20 June 2017, 749,990,000 ordinary shares were allotted and issued at par value of HK$0.01 each to the then shareholders as fully paid at par, on a pro rata basis, by way of capitalisation of the sum of HK$74,999,900 (NTD 29,111,000) debited to the share premium account.

(vii) Pursuant to the share offer on 14 July 2017, 250,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.22 (NTD0.86) per share for a total consideration (before listing expense) of HK$55,000,000 (equivalent to approximately NTD213,483,000). Accordingly, the Company's share capital was increased by HK$25,000,000 (equivalent to approximately NTD9,704,000) and the balance of the proceeds of approximately HK$45,262,000 (equivalent to approximately NTD675,682,000), after deducting the listing expenses of approximately HK$7,238,000 (equivalent to approximately NTD28,097,000), was credited to the share premium account.

24. RESERVES

Share premium

The share premium account of the Company includes the premium arising from the issue of new shares pursuant to the share offer net of expenses incurred in connection with the issue of shares upon share offer.

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 capital reserve, which comprises of (i) the share capital and share premium of Genes Tech Group which would be eliminated when the Company becomes the holding company of Genes Tech Group upon completion of the Reorganisation; and (ii) the difference between the nominal value of the share capital of subsidiaries acquired by Genes Tech Group in prior years and the consideration paid to the then shareholders of those subsidiaries

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.

25. RELATED PARTY TRANSACTIONS

The Group carried out the following transactions with its related parties during the year:

(a) All short-term unsecured bank borrowings amounting to approximately NTD25,155,000 as at 31 December 2016 were guaranteed by Mr. Yang. Details of bank borrowings as at 31 December 2016 are detailed in note 21.

The bank borrowings guaranteed by Mr. Yang had been fully repaid in February 2017.

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

	2017 NTD'000	2016 NTD'000
Short-term employee benefits		
— salaries, allowances and benefits in kind	**19,586**	18,083
Post-employment benefits		
— defined contribution retirement plans	**191**	216
	19,777	18,299

(c) The maximum outstanding amounts due from shareholders, who are also the Directors, during the year are shown as follow:

	2017 NTD'000	2016 NTD'000
Mr. Yang	**–**	1,982
Mr. Fan	**–**	1,063
Ms. Wei	**–**	6,362

As at 31 December 2016, the amounts were unsecured, interest-free, non-trade in nature and repayable on demand.

26. OPERATING LEASES

Leases as lessee

The Group leases properties and office equipment under non-cancellable operating lease agreement. The lease terms are between 1 to 5 years (2016: 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:

	2017 NTD'000	2016 NTD'000
Within one year	**5,700**	3,169
In the second to fifth years	**1,820**	678
	7,520	3,847

None of the leases include any contingent rental.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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 3.7 and 3.9 for explanations on how the category of financial instruments affects their subsequent measurement):

	2017 NTD'000	2016 NTD'000
Financial assets		
Loans and receivables		
Trade and bills receivables	**81,465**	182,048
Refundable deposits and other receivables	**9,154**	12,729
Cash and cash equivalents	**241,489**	79,092
	332,108	273,869

	2017 NTD'000	2016 NTD'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**174,292**	178,897
Other payables and accruals	**104,612**	87,098
Bank borrowings	**487,110**	473,106
	766,014	739,101

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, USD, Hong Kong Dollars ("HKD") and Japanese Yen ("JPY").

(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 relates. 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, HKD and JPY. 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.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

Foreign currency risk *(Continued)*

(i) *(Continued)*

The carrying amounts of the Group's foreign currency denominated net monetary assets at each reporting date are as follows:

	2017 NTD'000	2016 NTD'000
Net monetary (liabilities)/assets denominated in		
USD	**(19,938)**	10,364
JPY	**(6,961)**	–
HKD	**67,957**	289

(ii) Sensitivity analysis

The sensitivity analysis on currency risk includes monetary financial assets that are denominated in USD, HKD and JPY. The following table indicates the approximate effect on the profit 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.

	2017 NTD'000	2016 NTD'000
Functional currency appreciated by 5%		
USD	**827**	(430)
JPY	**289**	–
HKD	**(2,820)**	(12)

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 18 and 21, respectively. The Group currently does not have an interest rate hedging policy.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

Interest rate risk *(Continued)*

The following table illustrates the sensitivity of the Group's profit after income tax for each of the reporting period 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:

	2017 **NTD'000**	2016 NTD'000
Increase/Decrease in basis points ("bp")		
+ 50 bp	**(1,228)**	(1,635)
– 50 bp	**1,228**	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 2017, the Group had certain concentration of credit risk as approximately 18% (2016: 64%), of the Group's trade receivables were due from 2 (2016: 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 year 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 year and are considered by the Directors to have been effective in managing liquidity risks.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

Liquidity risk *(Continued)*

Analysed below is the Group's remaining contractual maturities for its financial liabilities at the end of the reporting period. 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.

	31 December 2017				
	Within 1 year or on demand NTD'000	**More than 1 year but less than 5 years NTD'000**	**More than 5 years NTD'000**	**Total undiscounted amount NTD'000**	**Carrying amount NTD'000**
Trade payables	**174,292**	**–**	**–**	**174,292**	**174,292**
Other payables and accruals	**104,612**	**–**	**–**	**104,612**	**104,612**
Bank borrowings	**357,084**	**69,935**	**81,135**	**508,154**	**487,110**
	635,988	**69,935**	**81,135**	**787,058**	**766,014**

	At 31 December 2016				
	Within 1 year or on demand NTD'000	More than 1 year but less than 5 years NTD'000	More than 5 years NTD'000	Total undiscounted amount NTD'000	Carrying amount 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
	574,798	96,559	91,041	762,398	739,101

Fair value measurement

At 31 December 2017 and 2016, all financial instruments are carried at amounts not materially different from their fair values.

28. 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 reporting periods.

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 other 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.

28. CAPITAL MANAGEMENT *(Continued)*

The gearing ratios of the Group as at 31 December 2017 and 2016 were as follows:

	2017 NTD'000	2016 NTD'000
Borrowings	**487,110**	473,106
Equity	**468,692**	248,742
Gearing ratio	**104%**	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.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2017

	2017 NTD'000	2016 NTD'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in subsidiaries	**270,597**	–
	270,597	–
Current assets		
Prepayments and other receivables	**1,623**	*
Amounts due from subsidiaries	**100,288**	–
Cash and cash equivalents	**70,374**	–
	172,285	*
Current liabilities		
Other payables and accruals	**2,543**	–
	2,543	–
Net current assets	**169,742**	*
Net assets	**440,339**	*
EQUITY		
Share capital	**38,815**	*
Reserves	**401,524**	–
Total equity	**440,339**	*

* Amounts less than NTD1,000.

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Yang Ming Hsiang
Executive Director

Wei Hung-Li
Executive Director

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital NTD'000	Share premium# NTD'000	Contribution surplus**# NTD'000	Exchange reserve# NTD'000	Accumulated losses# NTD'000	Total NTD'000
At 6 June 2016 (date of incorporation of the Company)	–	–	–	–	–	–
Issue of share upon incorporation (Note 23(i))	*	–	–	–	–	*
Loss and total comprehensive income for the period	–	–	–	–	–	–
At 31 December 2016 and 1 January 2017	*	–	–	–	–	*
Loss for the year	–	–	–	–	(11,855)	(11,855)
Other comprehensive loss for the year	–	–	–	(10,334)	–	(10,334)
Loss and total comprehensive loss for the year	–	–	–	(10,334)	(11,855)	(22,189)
Issue of shares arising from the group reorganisation (Note 23(v))	*	–	277,142	–	–	277,142
Capitalisation issue of shares (Note 23(vi))	29,111	(29,111)	–	–	–	–
Issue of shares upon share offer, net of expenses incurred in connection with the issue of shares	9,704	175,682	–	–	–	185,386
At 31 December 2017	**38,815**	**146,571**	**277,142**	**(10,334)**	**(11,855)**	**440,339**

* Amounts less than NTD1,000.

** Contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the shares issued by the Company in exchange therefore.

\# These reserves accounts comprise the reserves of the Company of approximately NTD401,524,000 (2016: Nil) in the statement of financial position of the Company.

FINANCIAL SUMMARY

	2017 NTD'000	2016 NTD'000	2015 NTD'000	2014 NTD'000
RESULTS				
Revenue	**1,238,370**	1,223,294	1,025,919	685,966
Profit before income tax	**57,434**	38,465	76,838	66,929
Income tax expense	**(19,971)**	(26,354)	(15,268)	(11,688)
Profit for the year	**37,463**	12,111	61,570	55,241
ASSETS AND LIABILITIES				
Total assets	**1,583,502**	1,218,227	1,547,992	1,069,800
Total liabilities	**(1,114,810)**	(969,485)	(1,295,080)	(848,458)
Net assets	**468,692**	248,742	252,912	221,342