



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

2018

FIRST QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 of the Stock Exchange 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

(also known as Johnson Fan)

Wei Hung-Li (魏弘麗)

Independent non-executive Directors:

Kam Leung Ming (甘亮明)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

AUDIT COMMITTEE

Cheng Chun Shing (鄭鎮昇) (*Chairman*)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

REMUNERATION COMMITTEE

Kam Leung Ming (甘亮明) (*Chairman*)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

Yang Ming-Hsiang (楊名翔)

Wei Hung-Li (魏弘麗)

NOMINATION COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Cheng Chun Shing (鄭鎮昇)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

Wei Hung-Li (魏弘麗)

RISK MANAGEMENT COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

Wei Hung-Li (魏弘麗)

JOINT AUDITORS

Elite Partners CPA Limited

10/F, 8 Observatory Road

Tsim Sha Tsui, Kowloon

Hong Kong

Moore Stephens CPA Limited

801–806 Silvercord, Tower 1, 30 Canton Road

Tsim Sha Tsui, Kowloon

Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

HEAD OFFICE IN TAIWAN

No. 80, Baotai 3rd Road, Zhubei City

Hsinchu County 30244, Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

CORPORATE INFORMATION (continued)

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

First Commercial Bank Tung-Men Branch

No. 216, Tung Men Street
North District, Hsinchu City 300
Taiwan

First Commercial Bank Hong Kong Branch

Room 1101, 11/F, Hutchison House
10 Harcourt Road, Central, Hong Kong

Chang Hwa Commercial Bank Zhubei Branch

26-3, Taiyuan Street, Zhubei City
Hsinchu City, Taiwan

China Construction Bank (Asia)

Suites 2508-14, 25/F, Tower 6, The Gateway,
Harbour City, Kowloon, Hong Kong

COMPLIANCE ADVISER

Ample Capital Limited

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

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

<http://www.genestech.com>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Since the first quarter of 2018, the sales of global semiconductor has shown a downward trend under the influence of pessimistic sentiment over the global semiconductor market, together with other factors such as the slow-down in market demand of smartphones, and the uncertainty in the cryptocurrency mining market. According to the data of some market reports, the shipment of smartphones in the PRC over the first quarter of 2018 saw a year-on-year decrease of approximately 27% to NTD81.87 million, while single month shipment in March even decreased by approximately 28.6%. As a turnkey solution provider providing semiconductor manufacturers with used semiconductor manufacturing equipment (SME) and parts, the Group is also vulnerable to the changes in market supply and demand.

BUSINESS REVIEW

The Group is a leading turnkey solution provider and exporter of used SME and parts in Taiwan, mainly engaging in providing turnkey solution of used SME and parts to customers and altering and/or upgrading the semiconductors of production systems to the needs of customers; moreover, the Group also carries out the trading of SME and parts. During the period under review, the overall business of the Group was dragged down by the unfavorable sentiment in the semiconductor industry. During the period, total revenue of approximately NTD173 million (corresponding period in 2017: NTD366 million) and the total comprehensive loss attributable to owners of the Company of approximately NTD1.357 million (corresponding period in 2017: total comprehensive income of NTD11.403 million) were recorded.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions of the Group were the major revenue source for the Group. 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. The semiconductors produced by the customers using the SME of the Group are extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products.

The business development maintained growth momentum during the period. As at 31 March 2018, the order fill rate of the Group was comparable to that for the corresponding period last year. However, since the revenue from new orders was not reflected during the period, the revenue from turnkey solutions of the Group dropped to approximately NTD164 million (corresponding period in 2017: NTD356 million).

The Group's turnkey solutions revenue was mainly generated from the global leading semiconductor manufacturing markets. Since 2018, Genes Tech Group has successfully attracted more international customers and received more orders, and a new progress has also been made in the business of other customers in Taiwan and China, where recorded revenue for the Group's related businesses reached approximately 63.8% and 12.1%, respectively, while the revenue of businesses in the United States and South Korea continued to increase.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD9.360 million (corresponding period in 2017: NTD10.319 million) arising from trading of SME and parts, a decrease of 9.3% compared with the corresponding period last year. During the period under review, revenue from trading of SME and parts accounted for approximately 5.4% of total revenue for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK

The global trading and commercial environment becomes complicated and volatile, and the recent US-China trade tension has brought uncertainties to the semiconductor and SME sector. In addition, the market concerns on the weakening demand for high-end smartphones, and some semiconductor companies even adjust their annual sales forecasts downward. Coupled with the high base in the corresponding period last year and the weakening price of parts such as memory, the development of the global semiconductor industry is not optimistic. In view of this, the Group will further optimise its production capacity structure and enhance its business model to tackle the industry challenge.

In response to the challenging environment, the Group has been looking for new opportunities to achieve sustainable development in its business operation. With the rise of new energy vehicles, it is expected that the rapid development of electric vehicles, autonomous driving, and automobile electronics technologies will become the driving force for a new round of technological growth and bring new opportunities for the semiconductor market. As one of the leading turnkey solution providers and exporters in Taiwan, the Group strives to provide quality services to semiconductor manufacturers of related products leveraging on its experienced management team, a widely recognized comprehensive quality management system and a strong sales network.

Looking ahead, the Group will make adjustments to its business development direction in accordance with the industry development trends, and plan to enhance the core competitiveness of the Group during the year by rationally allocating its existing capital, actively seeking for development opportunities, and upgrading and expanding production capacity. In addition to maintaining the existing production capacity and business structure, the Group will seize the new opportunities in the used SME industry in China and Taiwan with a view to strive for breakthroughs amidst various challenges, and we are well-prepared to further consolidate our industry position while creating long-term value for our shareholders.

FINANCIAL REVIEW

For the three months ended 31 March 2018, the Group recorded revenue of approximately NTD173 million (corresponding period in 2017: approximately NTD366 million), representing a decrease of approximately 52.6% compared with last year. The decrease of revenue of the Group compared with the corresponding period last year mainly resulted from the decrease in demand for the Group's SME and parts as a result of the deterioration in market demand of semiconductors, which was driven by the slow-down in market demand for smartphones and the uncertainty in the cryptocurrency mining market. The Group recorded revenue of NTD164 million and NTD9.360 million for its turnkey solutions business and trading of SME and parts, respectively.

Total comprehensive loss attributable to owners of the Company amounted to approximately NTD1.357 million (corresponding period in 2017: total comprehensive income of approximately NTD11.403 million) while basic and diluted earnings per share amounted to approximately NTD0.02 cents (corresponding period in 2017: NTD1.53 cents). The decrease of total comprehensive income attributable to owners of the Company mainly resulted from the aforementioned factors causing the decrease in revenue, increase in employee benefit expenses and purchase costs of used SME and parts. The cost of sales of the Group amounted to approximately NTD141 million. The decrease in cost of sales was mainly due to the decrease in the Group's revenue during the period.

During the period under review, the Group's gross profit amounted to NTD32.446 million (corresponding period in 2017: approximately NTD77.682 million), while the gross profit margin decreased by 2.5% compared to the corresponding period last year to 18.7% (corresponding period in 2017: 21.2%).

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (for the three months ended 31 March 2017: Nil).

OTHER INFORMATION

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

As at 31 March 2018, the interests or short positions of the Directors and chief executives 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 ("Mr. Yang")	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 ("Mr. Fan")	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 ("Ms. Wei")	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, Tai Yi Investment Co. Ltd., Ms. Wei, Mr. Fan 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 March 2018, none of the Directors or chief executives 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.

OTHER INFORMATION (continued)

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

As at 31 March 2018, 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 ("Mr. Chen") (note 6)	Interest of a controlled corporation	682,050,000	68.20%
Mr. Lin Yen-Po ("Mr. Lin")	Beneficial interest	1,200,000	0.12%
	Interest in persons acting in concert (note 5)	680,850,000	68.08%
		682,050,000	68.20%
Double Solutions Limited ("Double Solutions") (note 7)	Beneficial interest	67,950,000	6.80%
Ms. Chan Suk Sheung Rembi ("Ms. Chan") (note 8)	Interest of a controlled corporation	67,950,000 (note 7)	6.80%

OTHER INFORMATION (continued)

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 March 2018, the Directors are not aware of any other persons/entities (other than the Directors or chief executives 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the three months ended 31 March 2018 and up to the date of this report, have the Directors and the chief executives 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 three months ended 31 March 2018 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 executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from the Listing Date to 31 March 2018, 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.

OTHER INFORMATION (continued)

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts 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 during the period from the Listing Date to 31 March 2018.

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 March 2018.

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.

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 March 2018.

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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision A.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

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

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

OTHER INFORMATION (continued)

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2018 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2018, this first quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

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

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

From the Listing Date to 31 March 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

Yang Ming-Hsiang

Chairman and Chief Executive Officer

15 May 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Note	Three months ended 31 March	
		2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Revenue	5	173,491	366,102
Cost of sales		(141,045)	(288,420)
Gross profit		32,446	77,682
Other income, gains and losses		(1,045)	(15,538)
Selling and distribution expenses		(7,371)	(10,578)
General and administrative expenses		(19,513)	(33,175)
Finance costs		(3,358)	(1,838)
Profit before income tax	6	1,159	16,553
Income tax expenses	7	(927)	(5,070)
Profit for the period		232	11,483
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of a foreign subsidiary		(1,589)	(80)
Total comprehensive (loss)/income for the period attributable to owners of the Company		(1,357)	11,403
Earnings per share			
— Basic (NTD cents)	8	0.02	1.53
— Diluted (NTD cents)	8	0.02	1.53

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Share capital NTD'000	Share premium NTD'000	Statutory reserve NTD'000	Other reserve NTD'000	Exchange reserve NTD'000	Retained earnings NTD'000	Total NTD'000
As at 1 January 2018 (audited)	38,815	146,571	31,959	182,226	(3,074)	72,195	468,692
Profit for the period	-	-	-	-	-	232	232
Other comprehensive loss	-	-	-	-	(1,589)	-	(1,589)
Total comprehensive loss for the period	-	-	-	-	(1,589)	232	(1,357)
As at 31 March 2018 (unaudited)	38,815	146,571	31,959	182,226	(4,663)	72,427	467,335
As at 1 January 2017 (audited)	32,499	-	24,892	149,727	(175)	41,799	248,742
Profit for the period	-	-	-	-	-	11,483	11,483
Other comprehensive loss	-	-	-	-	(80)	-	(80)
Total comprehensive income for the period	-	-	-	-	(80)	11,483	11,403
As at 31 March 2017 (unaudited)	32,499	-	24,892	149,727	(255)	53,282	260,145

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 June 2016. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The 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. 80, 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 solutions of used SME and parts. Its parent and ultimate holding company is Queenbest Development Limited, a private company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Yang Ming-Hsiang ("Mr. Yang").

The first quarterly financial information is presented in New Taiwan dollars ("NTD"), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated first quarterly results have complied with the applicable disclosure requirements of the GEM Listing Rules.

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

The Unaudited Condensed Consolidated Financial Statements for the three months ended 31 March 2018 should be read in conjunction with the consolidated financial statements of the Group incorporated in the annual report for the year ended 31 December 2017.

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

The Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin, are a group of Controlling Shareholders, and is regarded as a continuing entity. Accordingly, the Unaudited Condensed Consolidated Financial Statements for the three months ended 31 March 2017 has been prepared on a combined basis as if the current group structure had been in existence since 1 January 2017, or since the respective date of incorporation of the relevant entity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated first quarterly results are same as those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the new and revised HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated results and/or disclosures set out in these condensed consolidated financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months ended 31 March 2018

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. For the Track Record Period, executive directors regularly review revenue and operating results derived from provision of turnkey solutions and trading of semiconductor manufacturing equipment and parts in Asia on an aggregate basis and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in Taiwan. For the segment information disclosures under HKFRS 8, the Group regarded Taiwan as its country of domicile. All the Group's non-current assets are principally attributable to Taiwan, being the single geographical region.

The geographical location of customers is based on the location at which the services are provided. The following table provides an analysis of the Group's revenue from external customers.

	Three months ended 31 March	
	2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Taiwan (place of domicile)	110,768	143,916
China	20,978	170,020
The United States	23,383	5,558
South Korea	17,812	–
Singapore	44	45,396
Other countries	506	1,212
	173,491	366,102

Information about major customers

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

	Three months ended 31 March	
	2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Customer A	37,564	11,200
Customer B	30,392	34,125
Customer C	28,034	66,018
	95,990	111,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months ended 31 March 2018

5. REVENUE

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

	Three months ended 31 March	
	2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Turnkey solutions	164,131	355,783
Trading of SME and parts	9,360	10,319
	173,491	366,102

6. PROFIT BEFORE TAX

	Three months ended 31 March	
	2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Cost of inventories recognised as expenses	136,524	277,869
Amortisation of intangible assets	288	238
Depreciation of property, plant and equipment	3,388	3,420
Listing expenses	–	12,087
Research expenses	223	1,291
Provision of warranty	4,521	10,552
Employee benefits expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	37,454	42,312
Defined contribution retirement plan	1,407	1,250
Minimum lease payments in respect of		
Properties	399	348
Office equipment	465	707

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months ended 31 March 2018

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Current tax		
Taiwan Income Tax	927	5,070

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

The Group is subject to Taiwan Income Tax at a rate of 20% (corresponding period in 2017: 17%) on the estimated assessable profits for the period.

8. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2018 NTD'000 (unaudited)	2017 NTD'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share	232	11,483

	Three months ended 31 March	
	2018 '000 (unaudited)	2017 '000 (unaudited)
Number of shares		
Number of shares for the purpose of calculating basic earnings per share	1,000,000	750,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the Reorganisation and Capitalisation issue are deemed to be effective on 1 January 2017. The new Shares issued pursuant to the Share Offer (as defined in the Prospectus) subsequent to 31 March 2017 are not included.

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

9. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (for the three months ended 31 March 2017: Nil).