



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

THIRD QUARTERLY REPORT

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

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 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)

Lin Yen-Po (林衍伯)

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)

AUDITORS

PricewaterhouseCoopers

22/F Prince's Building

Central, 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

Hang Seng Bank

21/F, 83 Des Voeux Road
Central, Hong Kong

China Construction Bank (Asia)

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

Chang Hwa Commercial Bank Zhubei Branch

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

First Commercial Bank (Tung-Men Branch)

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

COMPLIANCE ADVISER

Ample Capital Limited

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

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

<http://www.genestech.com>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2018, the internet of things has continued to be the key driver of the revenue growth in the semiconductor industry. Cloud computing, artificial intelligence and wireless communication have also vigorously spurred the development of the semiconductor industry. In addition, it is expected that the launch of 5G technology in the future will stimulate a new round of growth. Therefore, although the market condition is severely affected by trade wars, the market outlook of the global semiconductor industries are remain positive in 2018 in terms of future profitability, revenue growth, capital expenditure and research and development capability. Under the favorable development trend in the industry, the Group is committed to deepen its business penetration in various markets, while strengthening its control over internal costs and expenses.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used semiconductor manufacturing equipment ("SME") and parts in Taiwan, mainly engaged in providing turnkey solution of used SME and parts to its customers and altering and/or upgrading the semiconductor equipment used in the production systems of its customers according to their needs. Moreover, the Group also engages in the trading of SME and parts. During the nine months ended 30 September 2018, the Group recorded total revenue of approximately NTD848.2 million (corresponding period in 2017: approximately NTD1,029.6 million). Under the shadow of the trade conflicts between the United States and the PRC, the Group has adopted a conservative approach of tightly controlling its costs and expenses, under which, the total comprehensive income attributable to owners of the Company for the period amounted to approximately NTD36.7 million (corresponding period in 2017: approximately NTD35.5 million), representing a year-on-year increase of approximately 3.3%.

With our continuous efforts in enhancing the overall competitiveness of the business, the Group was awarded the "Market Development Excellence Award" in the "Outstanding Import & Export Enterprise Awards 2018" ceremony, an event organized by the Hong Kong Chinese Importers' & Exporters' Association. In addition, the Group has once again received the "Listed Enterprise Excellence Award 2018 (傑出上市企業大獎2018)" in an event jointly organized by AM730 and RoadShow, in recognition of the Group's management excellence.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions were the major revenue source for the Group. The SME and parts supplied by the Group including 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.

For the nine months ended 30 September 2018, the turnkey solution business has received an increased number of purchase orders as compared to the corresponding period in 2017, and we have continued to maintain our service quality as well as meeting our customers' requirements. However, since the expected revenue of some of the new orders has yet to be recognised during the period, our revenue from turnkey solutions dropped to approximately NTD815.8 million (corresponding period in 2017: approximately NTD1,001.0 million). It is expected that the additional revenue will be realized subsequently for those segments in the fourth quarter.

The Group's turnkey solutions revenue was mainly derived from the global leading semiconductor manufacturers, including Taiwan and the PRC, where recorded revenue for the Group's related businesses reached approximately 47.4% and approximately 35.3%, respectively. For further details regarding fluctuations in revenue from different geographical locations, please refer to the paragraphs headed "Financial Review" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

TRADING OF SME AND PARTS

During the nine months ended 30 September 2018, the Group recorded revenue of approximately NTD32.4 million (corresponding period in 2017: approximately NTD28.6 million) from the trading of SME and parts, representing an increase of approximately 13.2% compared to the corresponding period last year, because used manufacturing equipment with lower cost had attracted many customers under the current gloomy economy. During the nine months ended 30 September 2018, revenue from the trading of SME and parts accounted for approximately 3.8% of total revenue of the Group.

FINANCIAL REVIEW

For the nine months ended 30 September 2018, the Group recorded revenue of approximately NTD848.2 million (corresponding period in 2017: approximately NTD1,029.6 million), representing a decrease of approximately 17.6% compared to the corresponding period last year. The decrease in the Group's revenue as compared to the corresponding period last year was mainly resulted from the new orders which have not yet been delivered and the expected revenue was not recognised during the period.

Since 2018, the Group has secured more international customers and orders. New progress has been made to its business in Taiwan market, which accounted for approximately 47.4% of the Group's revenue for corresponding operations, where the revenue amounted to approximately NTD401.8 million (corresponding period in 2017: approximately NTD316.6 million). Despite the decrease in revenue derived from the PRC to approximately NTD299.3 million (corresponding period in 2017: approximately NTD637.2 million), revenue generated in countries such as the United States and Japan has surged during the period, with the revenue derived from the United States increased by approximately 389.6% to approximately NTD54.7 million (corresponding period in 2017: approximately NTD11.2 million) and the revenue derived from Japan increase by approximately 699.3% to approximately NTD29.5 million (corresponding period in 2017: approximately NTD3.7 million) compared to the corresponding period last year, denoting the Group's exquisite market expansion strategy that has successfully attained market diversity.

Given the strict control implemented by the Group on costs and expenses during the period, the total comprehensive income attributable to owners of the Company amounted to approximately NTD36.7 million (corresponding period in 2017: approximately NTD35.5 million), while basic earnings per share amounted to approximately NTD3.49 cents (corresponding period in 2017: approximately NTD3.43 cents). The cost of sales of the Group amounted to approximately NTD712.0 million (corresponding period in 2017: NTD824.3 million). The decrease in cost of sales was mainly due to the decrease in the Group's revenue during the period.

During the nine months ended 30 September 2018, the Group's gross profit amounted to approximately NTD136.2 million (corresponding period in 2017: approximately NTD205.4 million), while the gross profit margin decreased by approximately 3.8% compared to the corresponding period last year to approximately 16.1% (corresponding period in 2017: approximately 19.9%). The decrease is mainly as a results of the decrease in revenue while the manufacturing overheads and direct labour costs remained similar as the corresponding period in 2017.

OUTLOOK

The cycle of semiconductors has been proliferating because of the emergence of cloud computing, artificial intelligence and wireless communication, thus the related products are in short supply. Notwithstanding the trade wars between the United States and China which have brought about uncertainties to some extent for the semiconductor and SME sector, the Group will become more dedicated to opening up markets in different regions thereby broadening its customer base.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

In view of the estimated continuous growth in demand for semiconductor products and equipment, in order to enhance productivity for the leaping market demand, the Group has commenced the expansion project for the plants in its Taiwan headquarters to ensure the production rate to remain strong. Meanwhile, as one of the leading providers and exporters in Taiwan for turnkey solution, the Group will also keep an eye on opportunities, by means of expanding its production scale and extending its product lines through acquisitions. The Group shall also study the possibility of establishing joint ventures in the PRC and accelerating its exploration into the mainland market to further support the Group's business scale and profitability.

Looking ahead, it is expected that the market in general would continue to be driven by a variety of growth factors. The Group plans to enhance its core competitiveness during the year by rationalizing the use of its existing capital, actively seeking development opportunities and upgrading as well as expanding its production capacity. In the next three years, the key strategy in the semiconductor industry is to give priority to diversification and the integration of emerging industries, followed by mergers and acquisitions as well as joint ventures, and then talent development and management. Having reinforced its existing production capacity and business structure, the Group is eager to seize new opportunities in the used SME industries in both the PRC and Taiwan to further strengthen its industry position while bringing fruitful returns for its shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the nine months ended 30 September 2017 and 2018. The cash of the Group has been, and is expected to continue to be, used primarily for the purpose of satisfying its working capital needs.

As at 30 September 2018, the borrowings of the Group totaled approximately NTD490.6 million (31 December 2017: NTD487.1 million). The gearing ratio of the Group was approximately 76.2% (31 December 2017: approximately 70.4%).

Charge on Assets

As at 30 September 2018, the Group had certain land and building which were pledged to secure the Group's long-term bank borrowings with a principal amount of NTD125.0 million.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

During the nine months ended 30 September 2018, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Capital Commitments and Contingent Liabilities

As at 30 September 2018, the Group did not have any significant capital commitments (31 December 2017: Nil) or any significant contingent liability (31 December 2017: Nil).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

HUMAN RESOURCES

As at 30 September 2018, the Group employed approximately 137 employees. All of our staff are full-time employees and reside in Taiwan.

Remuneration of employees is reviewed annually by the Group with reference to the labour market and economic condition so that it could be maintained at a competitive level. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

DIVIDEND

On 12 October 2018, a final dividend of HK\$0.01 per share (equivalent to approximately NTD0.04) for the year ended 31 December 2017 was distributed to Shareholders whose names appear on the register of members of the Company on Friday, 6 July 2018.

The Board does not recommend any payment of dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 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 30 September 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or 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 positions in the Shares:

Name of Director	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner Interest in persons acting in concert (Note)	27,975,000	2.79%
		654,075,000	65.41%
		682,050,000	68.20%
Mr. Fan Chiang-Shen ("Mr. Fan")	Beneficial owner Interest in persons acting in concert (Note)	2,925,000	0.29%
		679,125,000	67.91%
		682,050,000	68.20%
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner Interest in persons acting in concert (Note)	19,125,000	1.91%
		662,925,000	66.29%
		682,050,000	68.20%
Mr. Lin Yen-Po ("Mr. Lin")	Beneficial owner Interest in persons acting in concert (Note)	1,200,000	0.12%
		680,850,000	68.08%
		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, a group of controlling shareholders of the Company (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 under the Concert Parties' control.

Save as disclosed above, as at 30 September 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 30 September 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 positions 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%
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 under the Concert Parties' control.
- (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 the 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 30 September 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 nine months ended 30 September 2018 and up to the date of this report had any Directors or chief executives of the Company or their respective close associates (as defined under the GEM Listing Rules) had any interests in, or been granted, or exercised any rights to subscribe for any shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the nine months ended 30 September 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).

OTHER INFORMATION (continued)

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from the Listing Date to 30 September 2018, none of the Directors, the controlling shareholders or any of their respective close associates was the director or shareholder of any business (other than the Group's business) which, directly or indirectly, has or may be in competition or otherwise had any other conflicts of interests with the Group.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There were 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 any material interest, whether directly or indirectly, during the period from the Listing Date to 30 September 2018.

COMPLIANCE ADVISER'S INTERESTS

As notified by Ample Capital Limited ("Ample"), the compliance adviser of the Company, neither Ample nor any of its close associates and none of the directors or employees of Ample had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 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, in compliance with Rule 18.03 of the GEM Listing Rules, dispatches its annual report of the financial results for the second full financial year commencing after the date of the 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 the 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 to all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from 1 January 2018 to 30 September 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.

OTHER INFORMATION (continued)

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 is the Chief Executive Officer, and 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 the overall strategic planning of the Group to be more effective and efficient.

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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the “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 whom are 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 control, internal control and risk management systems, and (c) reviewing the Group’s financial and accounting policies and practices.

The unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2018 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2018, this third quarterly report, the accounting principles and practices adopted by the Group and other financial reporting matters. The Audit Committee is satisfied that such results have 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.

OTHER INFORMATION (continued)

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 1 January 2018 up to 30 September 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

Taiwan, 13 November 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Revenue	5	167,507	260,492	848,199	1,029,634
Cost of sales		(134,121)	(201,815)	(712,021)	(824,277)
Gross profit		33,386	58,677	136,178	205,357
Other income, gains and (losses), net		5	4,017	15,824	(9,037)
Selling and distribution expenses		(5,714)	(8,516)	(22,429)	(39,080)
General and administrative expenses		(22,360)	(43,130)	(73,730)	(103,500)
Finance costs		(2,691)	(2,467)	(8,541)	(6,566)
Profit before income tax	6	2,626	8,581	47,302	47,174
Income tax expenses	7	(1,640)	(2,918)	(12,371)	(12,881)
Profit for the period		986	5,663	34,931	34,293
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences on translation of a foreign subsidiary		296	1,185	1,751	1,209
Total comprehensive income for the period attributable to owners of the Company		1,282	6,848	36,682	35,502
Earnings per share					
— Basic (NTD cents)	8	0.10	0.56	3.49	3.43
— Diluted (NTD cents)	8	0.10	0.56	3.49	3.43

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 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	-	-	-	-	-	34,931	34,931
Other comprehensive income	-	-	-	-	1,751	-	1,751
Total comprehensive income for the period	-	-	-	-	1,751	34,931	36,682
Transfer to statutory reserve	-	-	7,801	-	-	(7,801)	-
As at 30 September 2018 (unaudited)	38,815	146,571	39,760	182,226	(1,323)	99,325	505,374
As at 1 January 2017 (audited)	32,499	-	24,892	149,727	(175)	41,799	248,742
Arising from group reorganisation	(32,180)	-	-	32,180	-	-	-
Profit for the period	-	-	-	-	-	34,293	34,293
Other comprehensive income	-	-	-	-	1,209	-	1,209
Total comprehensive income for the period	-	-	-	-	1,209	34,293	35,502
Transfer to statutory reserve	-	-	4,618	-	-	(4,618)	-
Issue of shares	38,496	-	-	155,814	-	-	194,310
As at 30 September 2017 (unaudited)	38,815	-	29,510	337,721	1,034	71,474	478,554

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands Laws, 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 have been listed on the 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, Taiwan ("Taiwan").

The Company is an investment holding company and its subsidiaries are principally engaged in providing turnkey solution 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 third 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 third quarterly financial information have been prepared in accordance with the applicable disclosure requirements under Chapter 18 of the GEM Listing Rules and the Hong Kong Financial Reporting Standards ("HKFRS"). The unaudited condensed consolidated financial information for the nine months ended 30 September 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.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation continues 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 going concern. Accordingly, the unaudited condensed consolidated financial information for the nine months ended 30 September 2017 has been prepared on a combined basis as if the current group structure had been in existence since 1 January 2017, or since the respective dates of incorporation of the relevant entities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months ended 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated third quarterly financial information are the same as those used in the preparation of the 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 by the Group for the current accounting period. The adoption of these new and revised HKFRSs has no material impact on the amounts reported or the disclosures presented in the condensed consolidated third quarterly financial information. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

The income tax for the third quarter is accrued using the tax rate that would be applicable to expected total earnings.

This unaudited condensed consolidated financial information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration paid in exchange for goods and services.

4. SEGMENT INFORMATION

An operating segment is a component of the Group that involves 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. During the Track Record Period, the Executive Directors regularly review revenue and operating results derived from provision of turnkey solution and trading of semiconductor manufacturing equipment and parts on an aggregate basis and consider them as one single operating segment.

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Taiwan (place of domicile)	58,063	107,788	401,823	316,626
The PRC	105,112	140,972	299,308	637,243
The United States	1,594	5,312	54,725	11,178
Singapore	925	47	44,176	45,580
Japan	1,084	2,146	29,511	3,692
Other countries	729	4,227	18,656	15,315
	167,507	260,492	848,199	1,029,634

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months ended 30 September 2018

4. SEGMENT INFORMATION (Continued)

Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Customer A	21,208	44,656	161,863	126,450
Customer B	54,624	128,012	126,584	226,957
Customer C	5,941	29,200	122,023	115,807
Customer D	–	–	–	368,865
	81,773	201,868	410,470	838,079

5. REVENUE

The Group's revenue which represents the revenue received and receivable for providing turnkey solution of used SME and Parts is analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Turnkey solutions	155,429	251,948	815,816	1,001,034
Trading of SME and parts	12,078	8,544	32,383	28,600
	167,507	260,492	848,199	1,029,634

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months ended 30 September 2018

6. PROFIT BEFORE TAX

	Three months ended 30 September		Nine months ended 30 September	
	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Cost of inventories recognised as expenses	130,889	183,283	691,616	782,040
Amortisation of intangible assets	306	250	925	727
Depreciation of property, plant and equipment	3,670	3,437	10,388	10,249
Listing expenses	–	7,000	–	25,582
Research expense	980	3,056	5,727	10,351
Provision of warranty	3,801	9,424	20,979	33,129
Employee benefits expense (including the Chairman's remuneration) (note):				
Salaries, allowances and benefits in kind	32,276	51,244	114,239	121,561
Defined contribution retirement plan	1,454	1,423	4,261	3,942
Minimum lease payments in respect of				
Properties	399	451	1,194	1,116
Office equipment	1,542	680	3,101	2,005

Note: The salaries, allowances and benefits in kind for the nine months ended 30 September 2018 include an amount of NTD77,761,000 cost capitalized as inventories for the current period and the selling and administrative expenses of NTD36,478,000.

7. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Current tax				
Taiwan Income Tax	1,640	2,918	12,371	12,881

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 the Taiwan Income Tax at a rate of 20% (corresponding period in 2017: 17%) on the estimated assessable profits for the both periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months ended 30 September 2018

8. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2017 NTD'000 (Unaudited)
Earnings				
Earnings for the purpose of basic earnings per share	986	5,663	34,931	34,293

	Three months ended 30 September		Nine months ended 30 September	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)	2018 '000 (Unaudited)	2017 '000 (Unaudited)
Number of shares				
Number of shares for the purpose of basic earnings per share	1,000,000	1,000,000	1,000,000	1,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share for the nine months and three months ended 30 September 2017 has been determined based on the assumption that the Reorganisation and Capitalisation issue are deemed to be effective since 1 January 2017.

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

9. DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).