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

Annual Report 2018

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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
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Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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KY1-1111, Cayman Islands

HEAD OFFICE IN TAIWAN

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
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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 (PE)*

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

2018 was a year full of challenges and opportunities — on one hand, the development of semiconductor industry was affected by negative factors, such as US-China trade dispute and slowdown of global economic growth; on the other, the rapid development of the Internet-of-Things ("IoT") and intelligent vehicle fueled the growth of semiconductor industry. In the past year, facing with external uncertainties, we adopted stable development measures and successfully grasped the huge market demand for semiconductor. Therefore, the Group achieved an outstanding result in 2018. Overall, we recorded a substantial growth both in turnkey solution and trading of semiconductor manufacturing equipment (SME) parts businesses. During the year, the Group recorded an revenue of approximately NTD1,122.05 million. Total comprehensive income attributable to owners of the Company amounted to approximately NTD57.43 million (2017: approximately NTD34.56 million), representing a year-on-year increase of 66.17% and net profit margin increased to approximately 4.96% for the year (2017: approximately 3.0%). Basic earnings per share was NTD5.56 cents (2017: approximately NTD4.32 cents).

Besides balanced development of existing businesses, we expanded through merger and acquisition during the year. At the end of last year, the Group announced the plan to acquire the entire equity interests in Astro Thermal Technology Corporation ("Astro Thermal Technology"). The principal business of Astro Thermal Technology is the manufacture and sale of heating jackets. Heating jackets are the consumable parts and components installed in various types of equipment for purpose of temperature management of the pipes, tubes, tanks and cylinders, etc. in the equipment to maintain a preferred temperature by avoiding cooling down or overheat. Genes Tech Group has been focusing on providing turnkey solution of used SME and parts to customers, while the core technology of heating jackets manufactured by Astro Thermal Technology can improve SME production efficiency and is an important part of semiconductor equipment. Therefore, the acquisition can diversify the Group's business and product mix to provide diversified product portfolio to the customers. Meanwhile, with a broader customer base, the Company is able to identify what the market needs and to promote the Group's solution service, maximizing the synergy generated from two business segments.

In recent year, the Group has grasped the market opportunities coming with the rapid development of the semiconductor industry around the world by progressively extanding our market from Taiwan to China, Japan, Korea, Singapore, US and European countries and regions. Hence, the Group successfully attracted more international customers and orders, especially in Europe and Southeast Asia where we have established solid customer network. Also, revenue contribution from international customers has been rising. To compliment the Group's outstanding performance in market development, Genes Tech Group was awarded "Outstanding Import and Export Enterprise Award 2018 — Market Development Excellence Award" by The Hong Kong Chinese Importers' & Exporters' Association as recognition of our efforts to explore and develop market. Besides, the Group was awarded "Listed Company Award of Excellence — GEM Board" for its outstanding business development and financial result for the second consecutive year.

Looking ahead, with the launch and application of innovation and technology, including the fifth generation mobile communication technology ("5G"), IoT, intelligent vehicle, virtual reality ("VR"), augmented reality ("AR"), etc., will become a key driver of the enormous growth in semiconductor industry. In addition, increasing the domestically manufacturing ratio of semiconductor has long been a policy of Chinese government, with a target to increase such ratio to 70% by 2025. According to the latest forecast report of IC Insights, the production volume of semiconductor manufactured in China will account for 20.5% of the global market by 2023. As a leading provider and exporter of turnkey solution of used SME and parts, Genes Tech Group will actively explore development opportunity and upgrade and increase production capacity so as to enhance the Group's profitability.

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 keep striving to generate satisfactory returns for our shareholders in pursuing healthy development.

Chairman
Yang Ming-Hsiang

26 March 2019

MARKET OVERVIEW

Since the second half of 2018, the rapid development of Internet of Things ("IoT") and intelligent vehicles has effectively offset influence caused by the market slowdown of personal end-user devices such as mobile phones and tablets. Meanwhile, thanks to the emergence of cloud computing, artificial intelligence and 5G wireless communication, the semiconductor industry embraces more development capacities and investment opportunities. Although the market was inevitably affected to a certain degree by the risk arising from Sino-US trade war, the global semiconductor revenue in 2018 still increased by 13.4% as compared to 2017, amounted to US$476.7 billion, among which, Random Access Memory (RAM) accounted for 34.8%, representing an increase of approximately 31% as compared to 2017, and continuously ranked first among various types of semiconductor. Under the favorable development trend of the industry, the Group was committed to enhancing its various businesses, and put more efforts in strengthening its control over internal costs and expenses. During the period under review, net profit of the Group continued to increase.

BUSINESS REVIEW

The Group is a 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 semiconductor equipment of production systems according to the customers' needs. Moreover, the Group also carries out the trading of SME and parts. During the period under review, the Group recorded the total revenue of approximately NTD1,122.05 million (2017: approximately NTD1,238.37 million). Under the haze of Sino-US trade war, 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 year amounted to approximately NTD57.43 million (2017: approximately NTD34.56 million), representing a year-on-year increase of approximately 66.17%; and net profit margin increased to approximately 4.96% for the year (2017: approximately 3.0%). Basic earnings per share amounted to NTD5.56 cents (2017: approximately NTD4.32 cents), with continuous growth in profitability.

Business performance of the Group during the year under review was outstanding. With the continuous and proactive efforts in diversifying the marketing channels and enhancing the overall competitiveness by upgrading its technology, the Group was awarded the "Market Development Excellence Award" in the "Outstanding Import & Export Enterprise Awards 2018" (2018 進出口企業大獎), 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 by professional institutions.

TURNKEY SOLUTIONS

During the year under review, turnkey solutions were the major revenue source for the Group. The SME and parts supplied by the Group including furnaces and clean tracks are used at the front-end of the semiconductor manufacturing process and 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.

With good momentum sustained in business development during the period, the Group was able to secure more customer orders for the year ended 31 December 2018. Nevertheless, due to the timing of revenue recognition, the revenue from the turnkey solutions of the Group slightly dropped to approximately NTD1,070.32 million (2017: approximately NTD1,193.58 million).

The revenue from the Group's turnkey solutions was mainly derived from the global leading semiconductor manufacturers. Since 2018, the Group has secured more international customers and orders. New progress has also been made to its local business in Taiwan market, which accounted for approximately 44.94% of the Group's revenue for corresponding operations. Revenue derived from the operations in United States and Japan continued to increase, with the revenue generated from customers of these two markets increased by approximately 4.18 times and 0.90 times year-on-year, reflecting the Group's effectiveness in strengthening and expanding its markets.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD51.73 million (2017: approximately NTD44.79 million) from the trading of SME and parts, representing an increase of approximately 15.49% compared to the corresponding period of last year, mainly because used manufacturing equipment with lower cost had attracted many customers under the current gloomy economy. During the period under review, revenue from the trading of SME and parts accounted for approximately 4.61% of total revenue of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded revenue of approximately NTD1,122.05 million (2017: approximately NTD1,238.37 million), representing a decrease of approximately 9.39% compared to last year. The decrease in the Group's revenue as compared to the corresponding period of last year was mainly resulted from part of the new orders at the end of the year not yet completed so that its revenue not reflected during the period which led to the revenue of such business decreased slightly. During the period, the business of turnkey solutions and the trading of SME and parts maintained sound development with revenues of approximately NTD1,070.32 million (2017: approximately NTD1,193.58 million) and NTD51.73 million (2017: approximately NTD44.79 million) respectively.

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 44.94% of the Group's revenue for corresponding operations. Revenue derived from the operations in United States and Japan increased significantly during the year, with the revenue generated from customers of these two markets increased by approximately 417.59% and 89.64% year-on-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 NTD57.43 million (2017: approximately NTD34.56 million), while basic earnings per share amounted to approximately NTD5.56 cents (2017: approximately NTD4.32 cents). The cost of sales of the Group amounted to approximately NTD865.96 million (2017: approximately NTD1,001.21 million). The decrease in cost of sales was mainly due to the Group's effective management strategy of strict control on costs and expenses during the period under review.

During the year under review, the Group's gross profit amounted to approximately NTD256.09 million (2017: approximately NTD237.16 million), while the gross profit margin increased by 3.67% compared to the corresponding period of last year to approximately 22.82% (2017: approximately 19.15%).

OUTLOOK

It is expected that the trade friction between the United States and the PRC and the global economic downturn in 2019 will cause the market slowdown for electronic consumer goods such as smartphones and tablets, which will influence the semiconductor manufacturing industry. Numerous large global semiconductor manufacturers have started to reduce reliance on personal end-user electronic devices and focus on Artificial Intelligence ("AI"), the Internet of Things ("IoT") or automotive parts-related fields. 2019 is anticipated to mark the year of commercialisation of 5G mobile communication technology ("5G"). 5G technology, with high data rate, low latency and massive connection will promote active application of IoT, Internet of Vehicles, AI, virtual reality ("VR"), augmented reality ("AR") and cloud computing. It is expected that more opportunities will be brought to semiconductor components such as sensors, microcontrollers, power, power management, radio frequency and storage, resulting in a steady growth momentum to the global semiconductor output.

China is the world's largest semiconductor consumption market with great demands for smart phones, tablets, consumer electronics, automotive electronics, blockchain, intelligent monitoring, AI, etc. Underpinned by the government policy, these factors will drive a robust development in Mainland China's semiconductor industry. Therefore, Genes Tech Group will actively seek for development opportunities to expand its scale and product lines through acquisition, as well as speed up our expansion into Mainland market to further expand the Group's business and profitability, as well as upgraded and expanded production capacity with an aim to improve profitability of the Group.

In view of the 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, the Group announced its plan to acquire the entire share capital of Astro Thermal Technology Corporation at the end of 2018.

Astro Thermal Technology is principally engaged in the manufacture and sale of heating jackets used for temperature management of the pipes, tanks and cylinders in the semiconductor equipment to maintain a preferred temperature by avoiding cooling down or overheat. The Proposed Acquisition would help to diversify the Group's business and product types. In turn, the diversification would enhance the Group's financial position and minimise its exposure to market risk. Moreover, the Group can provide a wider product portfolio to its existing customers, strengthening its interaction, trading and communication with customers and thereby establishing a closer relationship.

Looking ahead, it is expected that the market in general will continue to have a steady increase driven by a variety of growth factors. In addition, the Company will enhance the core competitiveness of the Group by controlling costs and expenses strictly and continuously, rationally allocating its existing capital, actively seeking for development opportunities, and upgrading and expanding production capacity. In the future, 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 semiconductor industries in both the PRC and Taiwan to further strengthen its industry position while maintain existing strengths and development.

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 2018, the borrowings of the Group totaled approximately NTD446.89 million (31 December 2017: approximately NTD487.11 million). The gearing ratio of the Group was approximately 34% (31 December 2017: approximately 52%).

Charge on Assets

As at 31 December 2018, certain land and building of the Group were pledged to secure the Group's long-term and short-term bank borrowings, with the carrying amount of approximately NTD209.15 million (2017: approximately NTD212.28 million).

Exposure to Fluctuations in Exchange Rates and Related Hedges

The business operations of the Group's subsidiaries were mainly conducted in the Taiwan with certain of the transactions settled in USD, HK$ and JPY. 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 equipment and parts 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 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 31 December 2018, the Group did not have any significant capital commitments (2017: Nil) and significant contingent liability (2017: 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 2018, the Group employed approximately 138 employees (2017: 131). 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 2018, the Group has used the proceeds as stated in the section headed "Business Objectives, Future Plans and Use of Proceeds" in the Prospectus.

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 borrowings;

(3) research and development project corporating with Industrial technology Research Institute of Taiwan and its in-house research and development;

(4) recruiting new staff for handling unrefurbished used SME and the provision of turnkey solution;

(5) working capital of the Group.

Item/Date Currency	From the Listing Date to 31 December 2017 NTD million	For the period ended 30 June 2018 NTD million	For the year ended 31 December 2018 NTD million	For the period ending 30 June 2019 NTD million	For the year ending 31 December 2019 NTD million	For the period ending 30 June 2020 NTD million	Total NTD million	Amount utilized as of 31 December 2018 NTD million	Proceeds remained unused as of 31 December 2018 NTD million	Equivalent to HK$ million	% of the net proceeds
Build an extra floor on our existing headquarter	–	46.5	–	–	–	–	46.5	28.0	18.5	5.0	10.6%
Repay bank loans	10.8	13.6	13.6	13.6	13.6	13.2	78.4	38.0	40.4	10.0	23.1%
Research and development	4.6	2.7	1.2	1.2	1.1	–	10.8	2.9	7.9	2.0	4.5%
Recruit new staff	1.0	2.4	2.7	4.5	6.2	6.2	23.0	6.1	16.9	4.0	9.7%
Working capital	–	12.0	1.0	1.0	1.0	1.0	16.0	13.0	3.0	1.0	1.7%
Total	16.4	77.2	18.5	20.3	21.9	20.4	174.7	88.0	86.7	22.0	49.6%

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

EXECUTIVE DIRECTORS

Mr. Yang Ming-Hsiang (楊名翔) ("Mr. Yang"), aged 48, 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 2018, 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.

Ms. Wei Hung-Li (魏弘麗) ("Ms. Wei"), aged 43, 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 2018, 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 the annual report.

Mr. Fan Chiang-Shen (范強生) ("Mr. Fan"), aged 49, 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 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. 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 2018, 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 the annual report.

Mr. Lin Yen-Po (林衍伯) ("Mr. Lin"), aged 46, is the executive Director and the deputy general manager of the customer service division of the Company. He is 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 (國立臺灣科技大學) 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 (佑鳴科技股份有限公司), a company engaging in providing turnkey solutions, as the process equipment engineer and sales engineer in February 2003 and was the equipment engineering manager from September 2006 to December 2009. As at 31 December 2018, Mr. Lin 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 the annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Leung Ming (甘亮明) ("Mr. Kam"), aged 44, 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 44, 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 and obtained his Master degree of Business Administration (Executive Master of Business Administration Programme) from the Chinese University of Hong Kong in November 2018. 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 19 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 (京西重工國際有限公司) (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 45, 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 18 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.

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie (袁頴欣) ("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 services division 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), OneForce Holdings Limited (stock code: 1933), WuXi AppTec Co., Ltd. (stock code: 2359), Shanghai Junshi Biosciences Co., Ltd. (stock code: 1877) and Aoyuan Healthy Life Group Company Limited (stock code: 3662), 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 ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Yuen is a holder of the Practitioner's Endorsement from HKICS.

The directors hereby present the report and the audited consolidated financial statements for the year ended 31 December 2018.

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 2018 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 10 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 37 to 42 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 2018.

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 2018, 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 2018 are set out in the consolidated statement of comprehensive income on page 48 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 2018 (On 12 October 2018, the Company had distributed the final dividend of HK$0.01 (equivalent to approximately NTD0.04) per share for the year ended 31 December 2017 to the Shareholders whose names appear on the register of members of the Company on Friday, 6 July 2018).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94.

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 50 of this annual report.

The Company's reserves available for distribution to shareholders as of 31 December 2018 amounted to approximately NTD57.50 million (2017: approximately NTD134.72 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2018 and 2017, sales to the Group's five largest customers, in aggregate represented approximately 65.94% and 80.24% of the Group's total revenue, respectively. For the years ended 31 December 2018 and 2017, sales to the single largest customers amounted to approximately 18.65% and 29.88% of the Group's total revenue, respectively.

For the years ended 31 December 2018 and 2017, purchases of raw materials, packaging materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 43.69% and 40.04% of the Group's total purchases, respectively. For the years ended 31 December 2018 and 2017, purchases from the single largest supplier amounted to approximately 17.43% and 14.93% of the Group's total purchases, respectively.

For the year ended 31 December 2018, 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 18 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)
Lin Yen-Po (林衍伯) (appointed on 14 August 2018)

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"), Mr. Fan Chiang-Shen, Ms. Wei Hung-Li and Mr. Lin Yen-Po 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 11 to 13 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 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and 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 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%
("Mr. Yang")	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%
("Mr. Fan")	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%
("Ms. Wei")	Interest in persons acting in concert (Note)	662,925,000	66.29%
		682,050,000	68.20%
Mr. Lin Yen-Po	Beneficial owner	1,200,000	0.12%
("Mr. Lin")	Interest in persons acting in concert (Note)	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 (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 31 December 2018, 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 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%
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 9 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 6 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 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 2018, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2018 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 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 executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of its associated corporations (within the meaning of the SFO).

SHARE OPTION SCHEME OF THE COMPANY

The Company's 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 2018 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 2018 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 the 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/date of appointment, 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 2018, 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 2018 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 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 at any time during the period from 1 January 2018 to 31 December 2018.

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 2018, 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 2018.

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, 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 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.

CORPORATE GOVERNANCE

The major corporate governance practices adopted by the Company are set out in the corporate governance report on pages 26 to 36.

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 1 January 2018 to 31 December 2018, 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 2018, the Group employed 138 (2017: 131) 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 NTD187 million (2017: approximately NTD156 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.

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, 21 June 2019 to Wednesday, 26 June 2019, 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, 20 June 2019.

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, 3 July 2019 to Friday, 5 July 2019, 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, 2 July 2019.

Events occurring after the balance sheet date

Details of significant events occurring after the balance sheet date are set out in Note 27 to the consolidated financial statements.

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 2018. 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

During the year, Elite Partners CPA Limited and Moore Stephens CPA Limited resigned as the auditors of the Company and PricewaterhouseCoopers was appointed as the auditor to fill the casual vacancy.

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

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

26 March 2019

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

In the opinion of the Directors, throughout the year ended 31 December 2018, 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/REQUIRED STANDARD OF DEALINGS

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 year ended 31 December 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.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes 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 seven Directors, consisting of four Executive Directors, namely Yang Ming-Hsiang, Fan Chiang-Shen, Wei Hung-Li and Lin Yen-Po, 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 11 to 13 of the Annual Report for the year ended 31 December 2018.

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.

Apart from regular Board meetings, the Chairman also held meeting/discussed with Independent Non-executive Directors without the presence of other Directors during the year.

During the year, the Board held five 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 is also 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 year ended 31 December 2018, 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 that 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/date of appointment, 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 of 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 year ended 31 December 2018, the Company organized induction training for the newly appointed director as conducted by a qualified lawyer. In addition, relevant materials including the directors' duties and role and function of board committees, the risk management and internal control, ESG reporting and the directors' roles on corporate governance have been provided to the directors for their reference and studying.

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2018 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
Lin Yen-Po (Appointment with effect from 14 August 2018)	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/Studying 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.

The Audit Committee held four meetings to review, in respect of the year ended 31 December 2018, the quarterly, interim and annual financial results and reports and significant issues on the financial reporting, appointment of external auditors and engagement of non-audit services (including provision of internal controls advisory services).

The Audit Committee also reviewed the effectiveness of the risk management and internal control systems and arrangements for employees to raise concerns about possible improprieties.

Risk Management Committee

The Risk Management 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.

The Risk Management Committee also reviewed the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018.

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.

The Remuneration Committee had considered the Service Agreement (including the terms, remuneration and benefits as set out therein) for the appointment of Mr. Lin Yen-Po as an Executive Director during the year.

The Remuneration Committee also reviewed the remuneration policy, structure of the Company and the remuneration packages of the Directors and other related matters.

Details of the remuneration of the key management personnel are set out in note 26 in the Notes to the Audited Financial Statements for the year ended 31 December 2018.

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 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 and Director Nomination 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, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee had considered and recommended to the Board the appointment of Mr. Lin Yen-Po as an Executive Director of the Company during the year.

The Nomination Committee also reviewed the structure, size, composition of the Board and the independence of the Independent Non-executive Directors, and considered the qualifications of the retiring directors standing for election at the Annual General Meeting.

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. Such objectives will be reviewed/amended from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Policy and recommend revisions, as appropriate, to ensure its continued effectiveness from time to time.

The Board Diversity Policy is available on the website of the Company.

Director Nomination Policy

Director Nomination Policy of the Group is in place and was adopted in the year taking into consideration of the revised Listing Rules effective from 1 January 2019. The Policy set out the procedures, process and criteria for identifying and recommending candidates for election to the Board in order to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the Board continuity and appropriate leadership at Board level.

Pursuant to the Director Nomination Policy, in evaluating and selecting a candidate for directorship, the Nomination Committee should consider number of factors, including but not limited to character and integrity, qualifications and diversity aspects under the Board Diversity Policy and other perspectives that are appropriate to the Company's business and succession plan.

When appointing a new director/re-electing a new director, the Nomination Committee and/or the Board, upon receipt of the proposal/nomination from a shareholder, has to evaluate the candidate(s) based on the relevant criteria and, if more than one candidates, rank them by order of preference based on the needs of the Company. The Nomination Committee should then recommend to the Board (or to the shareholders) to appoint/elect the appropriate candidate for directorship, as applicable.

When re-electing a director at general meeting, the Board should also review the overall contribution and service to the Company of the retiring director and other criteria as set out in the Policy before making recommendation to the shareholders in respect to the proposed re-election of a director.

The Nomination Committee will review the Director Nomination Policy and recommend revisions, as appropriate, to complement the Company's corporate strategy and business needs.

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 during the year ended 31 December 2018 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	5/5	3/4#	1/1	1/1	1/1	1/1
Fan Chiang-Shen	5/5	1/4#	1/1	–	–	1/1
Wei Hung-Li	5/5	4/4#	1/1	1/1	1/1	1/1
Lin Yen-Po*	1/1*	–	–	–	–	–
Kam Leung Ming	4/5	4/4	–	1/1	1/1	0/1
Cheng Chun Shing	5/5	4/4	–	1/1	1/1	1/1
Ho Pak Chuen Brian	4/5	4/4	–	1/1	1/1	0/1

* Mr. Lin Yen-Po has been appointed as the Company's Executive Director on 14 August 2018, and he attended the board meeting on 13 November 2018 only.

The directors are not members of the Audit Committee while they attended the relevant Committee meetings.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Company's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee and the Risk Management Committee. The Audit Committee and the Risk Management Committee assists the Board in fulfilling its oversight and corporate roles in the Company's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board, the Audit Committee and the Risk Management Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives.

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.

Risk Management

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.

Internal Control

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that the Company's assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company's performance are identified and assessed.

During the year, the Company has engaged an external consultant to conduct a review of the Company's risk management policy and assessment procedures and internal controls over its inventory management process. Results of the review was communicated to the Audit Committee. Issues identified are followed up for proper implementation and the progress will be reported to the Audit Committee periodically.

Review of Risk Management and Internal Control Systems

The Audit Committee and the Risk Management Committee assist the Board in the review of the effectiveness of the Company's risk management and internal control systems on an ongoing basis. The directors through the Audit Committees and the Risk Management Committee are kept informed of significant risks that may impact on the Company's performance. For the year ended 31 December 2018, the Board considered the risk management and internal control systems of the Company to be effective and adequate.

The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting function.

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 year ended 31 December 2018.

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 43 to 47.

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

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to HK$1,682,000 and HK$1,200,000 respectively.

An analysis of the remuneration paid to the external auditor of the Company, Messrs PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/Payable HK$
Audit Services	1,682,000
Non-audit Services	1,200,000
	2,882,000

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 more than 15 hours of the relevant professional training for the year ended 31 December 2018.

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 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.

During the year under review, the Company has not made any changes to its Articles of Association. 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.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The Shareholders' Communication Policy is regularly reviewed to ensure its effectiveness.

The Dividend Policy of the Group is in place which was adopted on 13 November 2018 pursuant to code provision E.1.5 of the CG Code that has become effective from 1 January 2019. The Dividend Policy sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

The Company does not have any pre-determined dividend payout ratio but the Board has the discretion to declare and distribute dividends (by way of cash or scrip or by other means that the Board considers appropriate) to the shareholders of the Company, subject to the Articles of Association of the Company and all applicable laws and regulations and the factors set out in the Dividend Policy, including but not limited to the financial results, cash flow situation, business conditions and strategies, future operations and earnings and other factors that the Board may consider relevant. The Board will review the Dividend Policy as appropriate from time to time.

ABOUT THIS REPORT

Genes Tech Group Holdings Company Limited ("the Group" & "Genes Tech") believes that sustainability is fundamental and integral to its business success. Its core philosophy stems from honesty, results-driven and customer-centric business where technical expertise is highly valued. This has become the cornerstone to a solid foundation in the Group's turnkey business.

The board of directors ("the Board") of the Group has taken the lead in refining the Group's ESG strategic direction, having been recently awarded the Listed Company Award of Excellence in 2018. In this reporting year, the Board has urged the Group to conduct a comprehensive risk management assessment and to re-evaluate its various ESG-related risks. These initiatives ultimately aim to ensure that the appropriate measures and internal control systems are in place and are being promoted across the Group. The Group firmly believes that by addressing relevant ESG issues, the Group can successfully achieve sustainable growth in its business operations.

The Group's environmental, social and governance ("ESG") report is issued in accordance with the Environmental, Social and Governance Reporting Guide, as set out in Appendix 20 to the GEM Listing Rules. The report covers the year ended as of 31 December 2018. This report details the Group's current sustainability performance within its business operations and activities, as well as providing relevant updates on the major ESG issues identified during the year in accordance to the disclosure requirements.

Stakeholder Engagement

Genes Tech believes that stakeholders play an important role in the success of achieving its sustainability vision and purpose and has engaged with stakeholders including core team members and long-term employees to identify material matters that has environmental and social impact. By understanding the stakeholders' views, the Group can better perform its business practices and sustainability strategies in line with their needs and expectations.

A materiality assessment with Genes Tech shows that its stakeholders regard legal compliance, occupational health and safety, product responsibility and customer satisfaction are considered to be the most material areas for reporting by the Group given that they have a significant influence on its ESG performance. The Group pursues to address these material aspects in the sections below, detailing its performance against the sustainability targets and initiatives to demonstrate the adoption of a robust and well-defined sustainability framework.

ENVIRONMENT

Genes Tech Group Holdings Company Limited strictly complies with all applicable laws and regulations mandated by the Hsinchu County Environmental Protection Bureau and in the markets where the Group operates in. The Group is, in particular, compliant to the Environmental Protection Act in the areas of air pollution, water pollution, waste pollution, noise pollution, toxic chemicals and environmental impact. The Group maintains its stance on its zero tolerance on any violation of the local legislation.

Emissions

The Group provides manufacturing and technical consulting within the semiconductor industry. Apart from supplying and exporting new and used semiconductor manufacturing equipment, the Group provides a wide range of services such as tool repair, refurbishment, upscaling and manufacturing process modifications in an effort to completely meet the market's needs. This is executed through extending the operational lifetime of depreciated equipment with a rigid and environmentally-safe process of refurbishment to reduce the waste production in the industry. These business processes do not produce significant hazardous and non-hazardous wastes. Naturally, the nature of the business allows the group to adopt environmentally friendly operations.

Waste management is another material aspect to the Group and a wide range of measures have been engaged to address this. For example, the Group makes full utilisation of packaging materials across its business operations, including wooden boxes, cartons, plywood boxes and foam boards. In order to minimise waste disposals, packaging materials used in packing second-hand equipment are reused when packing parts for exports. This initiative has led to a significant reduction in the reported use of packaging materials. Government-registered professional waste handlers have also been deployed to ensure effective and efficient waste segregation, disposal and management of both hazardous and non-hazardous wastes. During the year, the total amount of waste, 49,255 kg, is recorded by the respective third party waste handlers.

Use of Resources

The Group understands the potential impact its existing business operations may have to the environment, thus management is in constant pursuit of green initiatives. Efficient consumption of other resources such as water, energy and raw materials during the manufacturing process is adopted and the Group has endorsed operational policies specifically to improve resource allocation. These policies are applied to the existing plants for optimal resource usage and the ultimate goal is to achieve an improved energy and resource consumption.

- At its facilities, a rainwater collection system is in operation to recycle rainwater drainage collected within the perimeter of the building. Usage controls has also been installed for lights and air-conditioning.

- To reduce electricity consumption, the Group fosters responsible use and management of resources among its employees. Employees are required to switch off all electronic devices, including computers and printers, before leaving. The last employee to leave the office is required to inspect whether all electronic devices and public appliances have been properly switched off across all floors. The Group engages in resource conservation by implementing a paperless business system to effectively reduce paper consumption in the office. Employees are also encouraged to take public transportation in another effort to reduce emissions and maximise transportation efficiently.

Environment and Natural Resources

Developing turnkey solutions on semiconductor manufacturing equipment naturally amounts to extended usage of related parts. With that, the Group focuses more on equipping its engineering team with technical expertise rather than relying on industrial machinery and processes. Such strategic direction enables the Group to reduce emission rates while staying in line with the goal of reducing the consumption of natural resources.

All of the Group's facilities in operation are situated in official industrial sites. Assessments of how the community and the environment is affected is conducted on a regular basis. In parallel, cost-effective and forward looking measures are encouraged and put into practice after consideration. The Group stands by its long-term commitment to comply with existing environmental laws and regulations as a booster to the Group's improvement in environmental performance. In this reporting year, there are no violations or non-compliance related to any environmental laws and procedures recorded.

Environmental performance data for Genes Tech for the year ended as of 31 December 2018:

Environmental KPIs	Unit	2018
NO_x emissions	kg	30.28
SO_x emissions	kg	0.03
Particulate matter emissions	kg	3.00
Total greenhouse gas emissions	tonne CO_2e	455.09
Greenhouse gas emissions (Scope 1)	tonne CO_2e	8.67
Greenhouse gas emissions (Scope 2)	tonne CO_2e	446.41
Greenhouse gas emissions (Scope 3*)	tonne CO_2e	89.58
Total energy consumption	GJ	3,033.69
Total energy consumption intensity	GJ/revenue in million NTD	2.70
Total direct energy consumption	GJ	132.81
Diesel	GJ	2.09
Unleaded Petrol	GJ	62.66
Natural Gas	GJ	68.06
Total indirect energy consumption	GJ	2,900.88
Purchased electricity	GJ	2,900.88
Water consumption	m^3	1,164.00
Water consumption intensity	m^3/revenue in million NTD	1.04
Packaging material	tonne	2,632.00
Packaging material intensity	tonne/revenue in million NTD	2.35

* Emissions produced indirectly from commercial business air travel by employees.

SOCIAL

Employment

The Group believes that its employees are the most valuable assets of the Group and takes priority in promoting a fair and positive workplace. To foster a friendly working environment, a staff handbook has been developed for the employees. The Group is also in full compliance with the requirements of the Taiwan Labour Standards Act.

The employee handbook stipulates the details of the employment policies and procedures such as employment conditions, compensation and dismissal, working hours, leaves and other benefits. The handbook contains important information including the remuneration policies, employee benefits, rights on dismissal, appraisal and benefit system.

As guided by the Employee Welfare Fund Act, the Group offers employee welfare promotions to those who have achieved performance expectations on top of competitive salary packages that are based on employees' credentials, tenure and designation. Various initiatives, including a payroll and personnel cycle system that securely records information relating to employment, performance review, and dismissal etc. have also been developed. For the general welfare of other employees, a staff-oriented approach is fully adopted to safeguard employee's well-being. Examples of staff benefits includes complimentary lunches on days of operation, nap accommodations, basketball court, open areas, and activity areas on office floors.

The Group also closely adheres to the Taiwan Labour Insurance Act where employees enjoy labour insurance as part of their benefits. The insurance premium of labour insurance is calculated using the employee's monthly insured salary and insurance premium rate.

Any act of discrimination, including race, gender, ethnic background, religion, disabilities and other features of an employee, is strictly prohibited in the workplace. The human resources department applies a recruitment procedure based on a fair and rigid set of selection criteria. A set of general recruitment criteria has been established to consistently provide equal opportunities to employees through a reasonable selection process.

The Group adopts a zero tolerance policy to sexual harassment in the workplace in accordance with the Sexual Harassment Prevention Act of Taiwan. The Group believes that sexual harassment is not limited to only performing inappropriate behavior by management level staff, but it also includes any inappropriate verbal or physical behavior demonstrated in the workplace. Penalty is strictly implemented by the Group to counter any form of discrimination and sexual harassment behavior at work. Channels of whistling are put in place in every department and the complainants' anonymity and confidentiality information are ensured. Other measures are adopted by the Group to protect its employees, including, among others, the improvements in environment and facilities at work.

Health and Safety

The Group firmly believes in taking care of the health and safety of its employees and trusts its respective initiatives are vital towards achieving a sustainable business. The Group reinforces its safety policies, procedures and control measures to be compliant with the applicable local occupational health and safety laws, for example the Taiwan Occupational Safety and Health Act and the Act for Protecting Workers of Occupational Accidents. The Group acts accordingly to provide a safe and hazard free workplace and minimise threats that could cause injuries or fatal accidents. These initiatives include conducting regular training courses on the operations of equipment, workplace safety, fire drills and the use of protective equipment.

All employees are mandated to adopt the manner of "6S" which highlights the Group's in-house management system, composed of Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Safety. The manner of "6S" is held at the core of the health and safety guidelines and all activities are centred on the corresponding philosophy. Regular safety inspections of our existing facilities and machineries are conducted by safety managers to assure that the Group's existing business operations and working procedures are compliant to health and safety standards. Weekly checks of the operational facilities where video and photographic footage are taken and examined by the safety managers are also implemented. The staff members are kept to a high standard and are expected to be knowledgeable of the internal guidelines and best practices, minimising accidents and maintaining a safe working environment.

The Group requires new and existing staff members to undergo health check-ups and physical examinations once every two years. Occupational health and safety management plans, work rules, a health and safety unit, education and training opportunities to employees are all in place to ensure work safety. The Group provides national health insurance to all employees that covers also their family members, as part of their compensation and benefits.

Development and Training

The Group is inclined to embed a culture of continuous learning within its working environment. The Group organises different training and development programs for employees across various seniority level. For example, the Training and Development Management Manual is published to enforce the training requirements for new and existing employees. Training and career development guidance are provided to new employees to help them adapt smoothly to the Group's culture. New joiners are required to complete all technical coaching activities within 90 days of employee deployment. Taking a further step, in order to assist employees in achieving their long-term goals, current staff members are mandated to complete a minimum of 3-hours training according to their respective line of work. The Group also subjects the management representatives to ISO9001 familiarisation training that serves as the key quality driver within the Group.

The Group requires that all technical engineers and management staff are subject to adequate training and relevant working experience with semi-conductor manufacturing equipment. Technical training catered to specific technical skills, other work-related skills and knowledge are required for the manufacturing operation. The Group seeks to constantly improving technical expertise, cultivate talent while expanding business network, and in turn elevating the cost-effectiveness of providing turnkey solutions.

Labour Standards

The Group considers its employees to be the greatest asset and it is of importance that the labour employment policies in place are fully compliant with the legislation. Employment arrangements encompassing working environment, terms of employment, working hours, rest days and holidays are subjected to routine reviews to strictly align with the regulations under the Labour Standards Act. For instance, child or forced labour would be strictly prohibited in the Group.

To ensure that the Group conducts business with utmost integrity, policies regarding labour protection, working conditions, prevention and protection from occupation hazard are clearly stipulated in the staff handbook and are strictly implemented in operation. The Group takes review measures on the policy of new staff recruitment procedures to assure that they are fully compliant with the requirements of national and regional regulations.

An employee welfare committee upholds the highest standards in business ethics. During this reporting year, there were no reports of significant labour disputes or non-compliance, either of which would have adversely affected the Group's reputation.

Supply Chain Management

A procurement team oversees the procurement and logistics of the business. The source of the Group's used semiconductor manufacturing equipment can be broken down into three segments; they are: (i) overseas suppliers, (ii) other overseas used semiconductor manufacturing equipment providers, and (iii) semiconductor manufacturing equipment and parts disposed of by existing customers. To strike a reasonable balance between the Group's costs and its external dependence, the Group sustains a reasonable inventory of major parts and core tools.

The Group applies a stringent supplier selection process from the ISO management manual lists. The selection criteria scrutinises pricing, performance records of delivery timeliness, quality and capacity. Supplier's performance undergoes a robust review on a regular basis. In this reporting year, the Group's operations reached a grand total of 414 suppliers, with 355 located in Taiwan and 59 located in Korea, Hong Kong, Singapore, United States of America, United Kingdom and Japan, among others.

To achieve a sustainable product and service turnover, the Group maintains an adequate inventory appropriately to cater to the needs of the Group's various operations. Operations in refurbishment, repair and maintenance services are among the services that require different parts. Appropriately, the Group implements a reliable work management system that facilitates a smooth schedule and timely delivery of existing parts and houses the pertinent information over a set of procurement plans. The evaluations are based on the suppliers' detail in organization, quality, service and technology. If a supplier fails the assessment, they are mandated to implement remediate actions and are urged to go through a re-evaluation period over the following three months. The Group will discontinue the transactions with the party in violation, who would also receive a failed rating in the supplier assessment for two consecutive months.

Product Responsibility

The Group's reputation is maintained via production safety and superior quality in its finished products. In this reporting year, the return rate of finished products delivered to customers remained at a 0.039%. As expected, the Group is committed to comply with the applicable local and overseas laws. During this reporting year, there was no report of non-compliance with relevant laws and regulations that have a significant impact on the Group. With a quality control team designated to oversee the quality and control process standards.. To ensure customer satisfaction, incoming parts are closely monitored and finished products are subject to regular performance review and functionality testing. In this reporting year, the customer satisfaction level is rated at a notable figure, of an average of 6.37 out of 7 across the Group's various products and services.

Physical and quality controls testing are conducted with the materials and equipment to ascertain that their quality reaches the acceptable standards. The quality control team is in-charge of inspecting the appearance, size and functions of parts supplied by suppliers. Those that do not meet the required quality standards are immediately returned to the supplier for replacement or refund.

The refurbishment process undergoes a comprehensive inspection process managed by the quality control and engineering teams, based upon each customer's Request for Quotation ("RFQ"). Afterwards, the quality control team conducts in-house testing on all finished products. The vital and final part of the process lies in the installation, where engineers perform on-site installation and testing to ensure that the machines fulfil the production requirement. The products identified to have fallen short of relevant quality standards are subject to an additional round of testing. The Group also includes a warranty to all of its finished products that meet the quality control standards. As for the products that meet the quality control standards, they are subsequently approved for customer delivery.

An ISO 9001:2015 certified quality management system has been established with the aim of monitoring the product quality at different stages of the altering processes. The Group believes it is the robust quality control system over the end-to-end processes that contributes to customer satisfaction and their confidence in the Group's deliverables.

The Group fully respects intellectual property rights and falls in line with the Patent Act of Taiwan. Employees are required to sign the intellectual property and confidentiality agreement with the Company to ensure that employees are fulfilling their obligations of confidentiality and non-competition in accordance with the agreements as well as recognised intellectual property laws.

Operating within the Personal Information Protection Act, the Group protects not just the rights but also the privacy of the customers. To provide the highest level of customer information security, the Group ensures to keep all customer data and confidentiality information in a private manner and enters into non-disclosure agreement with each customer to strengthen customer privacy protection.

The Group also believes that feedback from customers, accomplished in the form of corrective and preventive measure form, are of utmost importance. All customer complaints are taken seriously and escalated to the product and quality control department, who sends the case back to the responsible unit to issue a formal response to the customer via email or written responses.

Anti-Corruption

With integrity and ethics placed in the core of its philosophy, the Group is committed to fully comply with laws and regulations concerning anti-corruption. An internal monitoring system records cases unethical conduct and advocates honesty as a part of the Group's core strategy.

There is zero tolerance towards any form of corruption, fraud, money laundering and bribery. The Group maintains high awareness of the Anti-Corruption Act of Taiwan. In the reporting year of 2018, there were no cases of legal proceedings, claims or disputes.

Community Investment

As a forefront runner in the industry in Zhubei, the Group takes an active role in contributing to the communities where it operates in and consistently takes part in community programs, involvement in various charity works and implements core strategies that prioritise the interest of the community.

During the year, the Group has continued to provide support to the development of St. Joseph Social Welfare Foundation that seeks to provide long-term assistance to individuals with disabilities and enable them to regain a life of dignity and quality. A certificate of appreciation was awarded by the foundation. The Group has also extended help to various charitable institutions in the form of monetary donations. The Group's community donation include:

- Making a 5000 USD donation to one of China Soong Ching Ling Foundation's charitable projects that aim to aid children in poverty and support those with medical problems, and in one example, to carry out liver transplant surgery;

- Monthly 40,000 TWD donations to support the development of a local kindergarten and development centre.

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Genes Tech Group Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 93, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2018, 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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 identified in our audit are summarised as follows:

- Net realisable value of inventories
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories Refer to note 2.10 and note 16 to the consolidated financial statements. At 31 December 2018, net inventory balance of the Group amounted to approximately NTD1,471 million. The inventories are carried at the lower of cost and net realisable value. At 31 December 2018, the Group's inventory provision amounted to approximately NTD 42.2 million. The Group is engaged in the provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts. Management determined the net realisable value of the inventories based on the latest selling price of similar inventory items and purchase orders from customers. We focused on this area due to significant management's judgement and estimates involved in the determination of net realisable value, and also the significance of the inventories to the Group's total assets.	Our procedures in relation to management's assessment on the net realisable value of inventories included: • Understood, evaluated and tested the key controls over net realisable value of different types of inventories; • Compared the carrying amount of the inventories, on a sample basis, to their net realisable value; • Tested, on a sampling basis, the supporting documents of latest selling prices of similar inventory items or purchase orders from customers. Based on the procedures performed, we found the management's judgement and estimates used in relation to the determination of net realisable value of inventories were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 2.12 and note 14 to the consolidated financial statements. At 31 December 2018, trade receivables of the Group amounted to approximately NTD401 million. The Group has not provided any impairment loss on trade receivables for the year ended 31 December 2018. Upon adoption of HKFRS 9 "Financial Instrument" from 1 January 2018, management assessed impairment using the expected credit loss ("ECL") model. The ECL model involved management's estimate of the lifetime expected credit loss to be incurred, which is estimated by taking into account various factors including the credit loss experience, ageing of overdue receivables, customers' repayment history and the ability of the customers in fulfilling their repayment obligation, as well as the current condition and forward looking information. Such estimation involved a significant degree of management judgement. We focused on this matter due to significant management's judgement and estimates involved in the impairment assessment of trade receivables.	Our procedures in relation to management's impairment assessment of trade receivables included: • Understood, evaluated and tested the Group's key controls over credit control, debt collection and estimation of expected credit losses; • For historical loss rate on a sample basis, we checked to the actual incurred loss for the past 3 years to historical accounting records and evaluated the customers' repayment history by checking to repayment records of the customers, and the ability of the customers in fulfilling their repayment obligation with reference to available market information; • Assessed management's assessment of current condition and forward-looking information with reference to our industry knowledge, market information including macroeconomic factors; • Checked, on a sample basis, the Group's trade receivables ageing report by tracing to invoices and other relevant documents. Based on the procedures performed, we found the judgement and estimation made by the management in relation to the impairment assessment of trade receivables to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's 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 this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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.

Audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S 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 auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 judgment and maintain professional scepticism 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.

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

- 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 auditor's 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 auditor's 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

We communicate with 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 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 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 auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 NTD'000	2017 NTD'000
Revenue	5	**1,122,046**	1,238,370
Cost of sales	7	**(865,960)**	(1,001,211)
Gross profit		**256,086**	237,159
Other income	6	**4,781**	4,486
Other gains/(losses), net	6	**10,907**	(5,563)
Selling and distribution expenses	7	**(38,716)**	(38,695)
General and administrative expenses	7	**(133,165)**	(131,673)
		99,893	65,714
Finance income	9	**301**	198
Finance costs	9	**(11,388)**	(8,478)
Profit before income tax		**88,806**	57,434
Income tax expense	10	**(33,205)**	(19,971)
Profit for the year attributable to owners of the Company		**55,601**	37,463
Other comprehensive income/(loss), net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		**1,832**	(2,899)
Total comprehensive income for the year attributable to owners of the Company		**57,433**	34,564
Earnings per share			
Basic and diluted (NTD cents)	11	**5.56**	4.32

The notes on pages 52 to 93 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 NTD'000	2017 NTD'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**256,095**	247,132
Intangible assets	13	**654**	1,807
Deferred income tax assets	22	**40,074**	18,984
Deposits	15	**5,098**	–
		301,921	267,923
Current assets			
Inventories	16	**1,470,956**	947,498
Trade and bills receivables	14	**402,233**	81,465
Prepayments, deposits and other receivables	15	**90,641**	45,127
Cash and cash equivalents	17	**281,849**	241,489
		2,245,679	1,315,579
Total assets		**2,547,600**	1,583,502
EQUITY			
Share capital	18	**38,815**	38,815
Reserves	19	**449,355**	429,877
Total equity		**488,170**	468,692
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	**105,500**	137,944
Current liabilities			
Trade payables and other payables	20	**603,930**	612,990
Contract liabilities	20	**977,374**	–
Bank borrowings	21	**341,391**	349,166
Current income tax liabilities		**31,235**	14,710
		1,953,930	976,866
Total liabilities		**2,059,430**	1,114,810
Total equity and liabilities		**2,547,600**	1,583,502

The notes on pages 52 to 93 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 48 to 93 were approved and authorised for issue by the Board of Directors on 26 March 2019 and were 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 2018

	Share capital NTD'000 (Note 18)	Share premium NTD'000 (Note 19)	Statutory reserve NTD'000 (Note 19)	Other reserve NTD'000 (Note 19)	Exchange reserve NTD'000 (Note 19)	Retained earnings NTD'000	Total equity NTD'000
At 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 18)	9,704	203,779	–	–	–	–	213,483
Issue of shares upon capitalisation (note 18)	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 and 1 January 2018	**38,815**	**146,571**	**31,959**	**182,226**	**(3,074)**	**72,195**	**468,692**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**55,601**	**55,601**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,832**	**–**	**1,832**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,832**	**55,601**	**57,433**
Transfer to statutory reserve	**–**	**–**	**7,801**	**–**	**–**	**(7,801)**	**–**
Dividend paid (note 23)	**–**	**–**	**–**	**–**	**–**	**(37,955)**	**(37,955)**
At 31 December 2018	**38,815**	**146,571**	**39,760**	**182,226**	**(1,242)**	**82,040**	**488,170**

The notes on pages 52 to 93 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 NTD'000	2017 NTD'000
Cash flows from operating activities			
Cash generated from operations	24(a)	**181,575**	1,259
Income tax paid		**(37,770)**	(24,605)
Net cash generated from/(used in) operating activities		**143,805**	(23,346)
Cash flows from investing activities			
Acquisition of intangible assets		**(75)**	(613)
Interest income		**301**	198
Purchase of property, plant and equipment		**(25,504)**	(1,855)
Net cash used in investing activities		**(25,278)**	(2,270)
Cash flows from financing activities			
Interest paid		**(10,079)**	(8,478)
Proceeds from bank borrowings	24(b)	**485,955**	138,499
Repayments of bank borrowings	24(b)	**(526,174)**	(124,495)
Issuance of new shares		**–**	213,483
Expenses incurred in connection with the issue of shares		**–**	(28,097)
Dividend paid		**(35,285)**	–
Net cash (used in)/generated from financing activities		**(85,583)**	190,912
Net increase in cash and cash equivalents		**32,944**	165,296
Cash and cash equivalents at beginning of year		**241,489**	79,092
Effect of foreign exchange rate changes		**7,416**	(2,899)
Cash and cash equivalents at end of year		**281,849**	241,489
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents	17	**281,849**	241,489

The notes on pages 52 to 93 are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of 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").

The Company is a limited liability company incorporated and domiciled in the Cayman Island. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group's principal place of business is located at No. 8, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan.

The Company is listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in New Taiwan dollars ("NTD") and rounded to the nearest thousand ("NTD'000"), unless otherwise stated.

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				
Genes Tech (Hong Kong) Co. Limited	Incorporated in Hong Kong on 13 April 2018 as a limited liability company	100 ordinary shares of Hong Kong dollar ("HK$") 1 each	100%	Investment holding
Top Lucky International Limited	Incorporated in Hong Kong on 26 March 2018 as a limited liability company	100 ordinary shares of HK$1 each	100%	Investment holding
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
Interests held indirectly				
靖洋科技股份有限公司 Genes Tech Co. Limited* ("Genes Tech")	Incorporated in Taiwan 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

* The English name of the subsidiary established in Taiwan represents the management's best effort in translating the Chinese name of such subsidiary as no English name has been registered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap.622. The 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"). The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project	Annual Improvements 2014–2016 Cycle

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 which was disclosed in Note 2.2. The adoption of other new and amended standards did not have any material impact on the current period or any prior periods.

(b) New standards and interpretations not yet adopted by the Group

The following new standards, new interpretations and amended standards have been issued but are not effective for financial year beginning on 1 January 2018 and have not been early adopted by the Group.

		Effective for annual reporting periods beginning on or after
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendment)	Long-term Interest in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK (IFRIC)-Int 23	Foreign Currency Transactions and Advance Consideration	1 January 2019
Annual Improvements Project (Amendment)	Annual Improvements 2015–2017 Cycle	1 January 2019
HKFRS 3 (Amendment)	Definition of a business	1 January 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards and interpretations not yet adopted by the Group *(Continued)*

The Group will adopt the new standards, new interpretations and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amended standards and new interpretations, none of which is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statements of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately NTD14,504,000 as set out in Note 25. The Group expects that the adoption of HKFRS 16 will not result in significant impact on the Group's financial position and performance (approximate less than 2% of Group's net assets) but it is expected that those lease commitments with remaining lease term of over one year since the date of initial adoption will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities at discounted value.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transaction approach and will not restate comparative amount for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Change in accounting policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

(a) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provision of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2.11 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Change in accounting policies *(Continued)*

(a) HKFRS 9 Financial Instruments *(Continued)*

i. Classification and measurement

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

The adoption of HKFRS 9 did not have a significant impact on the classification and measurement of the Group's financial assets. For financial assets which are classified at amortised cost, the Group analysed the contractual cash flow characteristics of those instruments and concluded they meet the criteria for amortised costs measurement under HKFRS 9. Therefore, reclassification for these instruments is not required and still subsequently measured using effective interest rate method.

ii. Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include trade and bills receivables and other receivables.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past due. Expected credit loss rates are developed taking into account of historical incurred loss for the past 3 years adjusted for forward looking information. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure to make contractual payments for a period of greater than 360 days past due.

(b) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provision in HKFRS 15, comparative figures have not been restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Change in accounting policies *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers *(Continued)*

i. The impact on the Group's financial position by the application of HKFRS 15 is as follows:

The effects of the adoption of HKFRS 15 are related to presentation of contract liabilities. Reclassification were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for receipt in advance from customers were previously presented as trade payables and other payables.

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application on 1 January 2018:

	31 December 2017 NTD'000	Reclassification NTD'000	1 January 2018 NTD'000
Consolidated statement of financial position (extract)			
Trade payables and other payables	612,990	(306,160)	306,830
Contract liabilities	–	306,160	306,160

2.3 Subsidiaries

(a) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

(b) Separate financial statements *(Continued)*

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill

2.4 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in NTD, while the functional currency of the Company is HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated at foreign currencies at year-end exchange rates are generally recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as part of the fair value gains or losses.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the consolidated statement of comprehensive income.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Freehold land is measured on initial recognition at cost and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less their expected residual values, using straight-line method, over their estimated useful lives, at the following rates per annum:

Building on freehold land	50 years
Leasehold improvements	3–10 years
Office equipment	3–10 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use.

2.8 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 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.

2.10 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 indirect expenses. 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.

2.11 Financial assets

(a) Classification

From 1 January 2018, the Group re-classifies its financial assets from "loans and receivables" to "financial assets" at amortised cost. These assets include "trade and bills receivables", "deposits", "other receivables" and "cash and cash equivalents".

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 14 for further details.

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

The Group's financial assets mainly comprise loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, short-term bank deposits and cash and cash equivalents in the consolidated statements of financial position.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in the consolidated statement of comprehensive income within "other gains/(losses), net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(e) Accounting policies applied until 31 December 2017 *(Continued)*

(iii) Measurement (Continued)

Dividends on financial assets at fair value through profit or loss are recognised in consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established. Interest income from financial assets at fair value through profit or loss and loans and receivables calculated using the effective interest method is included in the consolidated statement of comprehensive income within "finance income".

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

(iv) Impairment

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11 for further information about the Group's accounting for trade and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at banks.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 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.

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of lease.

2.18 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 Taiwan 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition

(a) Sale of goods

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.

Revenue from the provision of turnkey solution and trading of the used semiconductor manufacturing equipment and parts is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Contract liabilities are recognised if the cumulative payments made by customers exceeds the revenue recognised in profit or loss. Contract liabilities are recognised as revenue when the control of the products have been transferred to the customers at their acknowledgment and performance obligation is fulfilled.

By 31 December 2017, revenue is recognised when products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products, at which the Target has transferred the significant risks and rewards of the ownership of the goods. The Target retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold.

(b) Interest income from bank deposits calculated using the effective interest method is recognised in the consolidated statement of comprehensive income.

(c) Rental income, on a time proportion basis over the lease terms.

2.20 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.

2.21 Income tax

Income tax comprises current income tax and deferred tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Income tax *(Continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 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 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge the risk exposures.

Financial risk management is carried out by the finance department under the supervision of the Chief Executive Officer ("CEO") of the Company. The CEO provides principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Taiwan. Certain of the transactions for Taiwan reporting entity are denominated in United States Dollar ("USD"), and Hong Kong Dollar ("HK$") and Japanese Yen ("JPY"). Moreover, certain cash and cash equivalents, trade and other receivables, trade and other payables are denominated in foreign currencies, which expose the Group to foreign exchange risk, with respect of USD and HKD.

	2018 NTD'000	2017 NTD'000
Net profit increase/(decrease)		
— USD	**7,331**	323
— HK$	**750**	(3)
— JPY	**650**	(259)
Net profit increase/(decrease)		
— USD	**(7,331)**	(323)
— HK$	**(750)**	3
— JPY	**(650)**	259

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of change in market interest rates. The Group's interest-rate risk arises from cash at banks balance and borrowings at floating rates. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Details of the Group's borrowings have been disclosed in Note 21.

As at 31 December 2018 and 2017, if interest rate had been 10 basis points higher/lower with all other variables held constant, the profit before tax for the year would have been approximately NTD 167,000 lower/higher (2017: NTD247,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from cash and cash equivalents (excluding cash on hand) and deposits with banks and trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Risk management

As at 31 December 2018, for cash and cash equivalents (excluding cash on hand), deposits with banks, they are all deposited with listed banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

As at 31 December 2018, top 2 customers of the Group accounted for approximately 68% (2017: 18%), of the trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records of past 3 years, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- deposits and other receivables

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on the nature of customer accounts, shared credit risk characteristics and the days past due.

As at 1 January 2018 and 31 December 2018, the Group does not have loss allowance.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

Impairment losses on trade receivables are presented as net impairment losses within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Deposits and other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is close to zero.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balance within 12 months equal their carrying balances as impact at discounting is not significant.

	Within 1 year or on demand NTD'000	1-2 years NTD'000	2-5 years NTD'000	More than 5 years NTD'000	Total contractual cash flows NTD'000	Carrying amount NTD'000
As at 31 December 2018						
Trade payables	**464,234**	**–**	**–**	**–**	**464,234**	**464,234**
Other payables and accruals	**57,263**	**–**	**–**	**–**	**57,263**	**57,263**
Bank borrowings and interest payments	**348,422**	**15,610**	**29,293**	**71,521**	**464,846**	**446,891**
	869,919	**15,610**	**29,293**	**71,521**	**986,343**	**968,388**
As at 31 December 2017						
Trade payables	174,292	–	–	–	174,292	174,292
Other payables and accruals	44,208	–	–	–	44,208	44,208
Bank borrowings and interest payments	357,084	40,858	29,077	81,135	508,154	487,110
	575,584	40,858	29,077	81,135	726,654	705,610

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less short-term bank deposits, restricted bank deposits and cash and cash equivalents.

The Group was in a net debt position as at 31 December 2018 and 2017. The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as at 31 December 2018 is approximately 34% (2017: 52%).

3.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade and other receivables, and cash and cash equivalents, and current financial liabilities, including trade and other payables and bank borrowings approximate their fair values due to their short maturities. The carrying amount of non-current deposits and non-current borrowings approximate their fair value which are estimated based on the discounted cash flows.

3.4 Offsetting financial assets and financial liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has no financial assets and financial liabilities, which is subject to offsetting, enforceable master netting arrangements and similar agreements.

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 loss allowance for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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. 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 for 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.

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 (defined as chief operating decision maker) 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 used semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

	2018 NTD'000	2017 NTD'000
Provision of turnkey solution	**1,070,315**	1,193,582
Trading of used semiconductor manufacturing equipment and parts	**51,731**	44,788
Revenue recognised at a point in time	**1,122,046**	1,238,370

The Company is an investment holding company and the principal place of the Group's operation is in Taiwan. The Group regarded Taiwan as its place of domicile. The Group's non-current assets are principally located in 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.

	2018 NTD'000	2017 NTD'000
Taiwan (place of domicile)	**504,286**	384,139
PRC	**425,838**	657,126
United States	**81,298**	15,707
Singapore	**60,053**	155,048
Japan	**29,667**	15,644
South Korea	**18,828**	10,268
Other countries	**2,076**	438
	1,122,046	1,238,370

5 SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2018 NTD'000	2017 NTD'000
Customers		
A	**209,288**	226,957
B	**153,598**	170,654
C	**135,262**	N/A*
D	**129,010**	N/A*
E	**112,740**	N/A*

* The corresponding did not contribute over 10% of total revenue of the Group.

6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2018 NTD'000	2017 NTD'000
Other income		
Rental income	**572**	48
Sundry income	**4,209**	4,438
	4,781	4,486
Other gains/(losses), net		
Exchange gains/(losses)	**10,907**	(5,563)

7 EXPENSES BY NATURE

	2018 NTD'000	2017 NTD'000
Auditors' remuneration		
— Audit services	**6,472**	2,745
— Non-audit services (note (a))	**4,618**	5,850
Cost of materials used	**698,301**	844,355
Write-down of inventories to net realisable value	**–**	6,417
Amortisation of intangible assets (note (b))	**1,228**	1,012
Depreciation of property, plant and equipment (note (c))	**14,978**	13,777
Listing expenses (note (d))	**–**	31,537
Research expense	**1,187**	1,606
Provision of warranty, net (note 20(c))	**4,087**	19,495
Employee benefit expenses (note 8)	**179,688**	156,255
Professional fees	**13,511**	4,647
Operating lease payments	**6,302**	3,947
Delivery charges	**24,212**	11,568
Travelling	**22,469**	18,596
Insurance	**14,878**	12,455
Entertainment	**7,001**	8,511
Utilities	**2,694**	2,205
Others	**36,215**	32,451

7 EXPENSES BY NATURE *(Continued)*

Notes:

(a) Non-audit services for the year ended 31 December 2017 represent the services provided by the Company's then auditor for acting as the reporting accountant of the Company for the listing and for other services. Non-audit services for the year ended 31 December 2018 represent the service provided by the Company's auditor for its service for the proposed acquisition, details of which is described in Note 27.

(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 NTD 9,659,000 (2017: NTD8,620,000) and NTD 5,319,000 (2017: NTD5,157,000), respectively, for the year.

(d) The amount has included the remuneration charged for non-audit services provided by Company's then auditor for the year ended 31 December 2017 as disclosed in note (a) above. No listing fee is charged during the year end 31 December 2018 as the listing was completed on 14 July 2017.

8 EMPLOYEE BENEFIT EXPENSES

	2018 NTD'000	2017 NTD'000
Basic salaries, other allowances and benefits in kind	**173,939**	150,950
Pension costs — defined contribution scheme (note (a))	**5,749**	5,305
	179,688	156,255

The amounts include the employee benefits expenses capitalised in inventories during the years ended 31 December 2017 and 2018.

(a) Pension costs — defined contribution scheme

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 (2017: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2017: three) executive directors whose emoluments are reflected in the analysis shown in note 29. The emoluments payable to the remaining one (2017: two) individual(s) during the year are as follows:

	2018 NTD'000	2017 NTD'000
Basic salaries, other allowances and benefits in kind	**2,189**	4,951
Pension costs — defined contribution scheme	**88**	191
	2,277	5,142

The emoluments of the remaining individuals fell within the following band:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000 (NTD3,848,000)	**1**	2

(c) 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 (2017: Nil).

9 FINANCE INCOME AND COSTS

	2018 NTD'000	2017 NTD'000
Finance income		
Bank interest income	**301**	198
Finance costs		
Interest on bank borrowings	**(11,388)**	(8,478)
Net finance costs	**(11,087)**	(8,280)

10 INCOME TAX EXPENSE

	2018 NTD'000	2017 NTD'000
Current tax — Taiwan		
Current tax on profits for the year	**46,423**	24,764
Reversal of income tax on the undistributed surplus earnings	**(4,500)**	–
Underprovision in prior years	**2,922**	1,576
	44,845	26,340
Withholding tax	**9,450**	–
Deferred income tax	**(21,090)**	(6,369)
Income tax expense	**33,205**	19,971

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 Legislative Yuan passed its third reading of Amendments to the Income Tax Act for Taiwan income tax rate and additional income tax rate on 18 January 2018 and took effect on 1 January 2018. As such, Taiwan Income Tax is calculated at 20% (2017: 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 (2017: Nil).

Further pursuant to the Article 66-9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, Taiwan, an additional income tax shall be charged at 5% (2017: 10%) on the undistributed surplus earnings in prior year.

10 INCOME TAX EXPENSE *(Continued)*

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

	2018 NTD'000	2017 NTD'000
Profit before income tax	**88,806**	57,434
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**28,260**	24,005
Income not subject to tax	**(42)**	(2,273)
Under provision in prior years	**2,922**	1,576
Reversal of income tax on the undistributed surplus earnings	**(4,500)**	–
Changes in tax rate	**(3,350)**	–
Withholding tax	**9,450**	–
Others	**465**	(3,337)
Income tax expense	**33,205**	19,971

11 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the year attributable to owners of the Company of approximately NTD55,601,000 (2017: approximately NTD37,463,000) and the weighted average of 1,000,000,000 (2017: 867,123,888) shares in issue during the year.

	2018	2017
Profit for the year attributable to owners of the Company (NTD'000)	**55,601**	37,463
Weighted average number of ordinary shares in issue (thousands)	**1,000,000**	867,124
Basic earnings per share (NTD cents per share)	**5.56**	4.32

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 750,000,000 shares which represented the number of shares of the Company immediately prior to the share offer.

(b) Diluted

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.

12 PROPERTY, PLANT AND EQUIPMENT

	Land* NTD'000	Building NTD'000	Leasehold improvements NTD'000	Office equipment NTD'000	Construction in progress NTD'000	Total NTD'000
At 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 book amount	68,983	145,434	13,335	31,302	–	259,054
Year ended 31 December 2017						
Opening net book amount	68,983	145,434	13,335	31,302	–	259,054
Additions	–	964	146	745	–	1,855
Depreciation charge	–	(3,105)	(2,923)	(7,749)	–	(13,777)
Closing net book 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 book amount	68,983	143,293	10,558	24,298	–	247,132
Year ended 31 December 2018						
Opening net book amount	**68,983**	**143,293**	**10,558**	**24,298**	**–**	**247,132**
Additions	**–**	**–**	**8,418**	**1,237**	**14,286**	**23,941**
Depreciation charge	**–**	**(3,122)**	**(3,339)**	**(8,517)**	**–**	**(14,978)**
Closing net book amount	**68,983**	**140,171**	**15,637**	**17,018**	**14,286**	**256,095**
At 31 December 2018						
Cost	**68,983**	**159,019**	**31,649**	**36,274**	**14,286**	**310,211**
Accumulated depreciation	**–**	**(18,848)**	**(16,012)**	**(19,256)**	**–**	**(54,116)**
Net book amount	**68,983**	**140,171**	**15,637**	**17,018**	**14,286**	**256,095**

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

Land and building with an aggregate carrying amount of approximately NTD209,154,000 (2017: approximately NTD212,276,000) of the Group are pledged to a bank to secure banking facilities granted to the Group (note 21) as at 31 December 2018.

13 INTANGIBLE ASSETS

	Computer software NTD'000
At 1 January 2017	
Cost	4,196
Accumulated amortisation and impairment	(1,990)
Net book amount	2,206
Year ended 31 December 2017	
Opening net book amount	2,206
Additions	613
Amortisation charge	(1,012)
Closing net book amount	1,807
At 31 December 2017	
Cost	4,809
Accumulated amortisation and impairment	3,002
Net book amount	1,807
Year ended 31 December 2018	
Opening net book amount	**1,807**
Additions	**75**
Amortisation charge	**(1,228)**
Closing net book amount	**654**
At 31 December 2018	
Cost	**4,884**
Accumulated amortisation and impairment	**(4,230)**
Net book amount	**654**

14 TRADE AND BILLS RECEIVABLES

	2018 NTD'000	2017 NTD'000
Trade receivables	**400,818**	76,276
Bills receivables	**1,415**	5,189
	402,233	81,465

The Group normally allows credit period ranging from 30 to 90 days (2017: 30 to 90 days) to its major customers.

The Group applies the HKFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The Group did not hold any collateral as security or other credit enhancements over the trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The ageing analysis of trade and bills receivables, based on invoice dates, as at each reporting date, is as follows:

	2018 NTD'000	2017 NTD'000
1–30 days	**340,840**	49,500
31–90 days	**27,496**	17,030
91–180 days	**7,297**	3,422
181–365 days	**26,600**	2,494
Over 1 year	**–**	9,019
	402,233	81,465

The carrying amount of the Group's trade and bills receivables is denominated in the following currencies:

	2018 NTD'000	2017 NTD'000
NTD	**39,233**	37,499
JPY	**247,190**	–
USD	**115,810**	43,966
	402,233	81,465

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, with the consideration of current and forward looking information, 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.

As at 31 December 2018, no provision of impairment loss has been recognised (2017: Nil).

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 NTD'000	2017 NTD'000
Prepayments	**79,619**	35,973
Deposits and other receivables	**16,120**	9,154
	95,739	45,127
Less: non-current deposits	**(5,098)**	–
Current portion included in current assets	**90,641**	45,127

The carrying amount of the Group's prepayments, deposits, other receivables are denominated in the following currencies:

	2018 NTD'000	2017 NTD'000
NTD	**22,534**	12,173
HK$	**1,501**	2,382
USD	**70,844**	29,924
Others	**860**	648
	95,739	45,127

As at 31 December 2018, the carrying amounts of non-current deposits approximate to their fair value.

16 INVENTORIES

	2018 NTD'000	2017 NTD'000
Raw materials	**781,465**	664,828
Work in progress	**581,640**	254,052
Finished goods	**150,094**	70,861
	1,513,199	989,741
Less: Provision for impairment loss on inventories	**(42,243)**	(42,243)
	1,470,956	947,498

The cost of inventories recognised as expense and included in cost of sales amounted to approximately NTD698,301,000 (2017: approximately NTD844,355,000) for the year ended 31 December 2018.

No provision for inventories were charged to the consolidated statement of comprehensive income during the year ended 31 December 2018. (2017: NTD6,417,000).

17 CASH AND CASH EQUIVALENTS

	2018 NTD'000	2017 NTD'000
Cash at banks	**280,334**	240,148
Cash on hand	**1,515**	1,341
	281,849	241,489

Cash and cash equivalents are denominated in the following currencies:

	2018 NTD'000	2017 NTD'000
NTD	**29,152**	32,412
HK$	**41,696**	70,500
USD	**210,070**	137,744
Others	**931**	833
	281,849	241,489

The effective annual interest rate on cash at bank was 0.12% (2017: 0.17%) for the year ended 31 December 2018.

18 SHARE CAPITAL

	Number of Shares	Share capital NTD'000
Authorised:		
Ordinary shares of HK$0.01 each in the share capital of the Company	2,000,000,000	77,630
As at 31 December 2018	**2,000,000,000**	**77,630**

	Number of Shares	Share capital NTD'000
Issued and fully paid		
At 1 January 2017	1	*
Arising from Reorganisation (note i)	9,999	*
Capitalisation issue (note ii)	749,990,000	29,111
Issue of shares (note iii)	250,000,000	9,704
As at 31 December 2017, 1 January 2018 and 31 December 2018	**1,000,000,000**	**38,815**

* Amounts less than NTD1,000.

18 SHARE CAPITAL *(Continued)*

Notes:

(i) On 20 June 2017, as part of the Group's reorganization, the Company acquired the entire issued share capital of Top Vitality from the original shareholders. In exchange, the Company allotted and issued a total of 9,999 shares to the then shareholders of Top Vitality.

(ii) 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$7,499,900 (NTD 29,111,000) debited to the share premium account.

(iii) 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$2,500,000 (equivalent to approximately NTD9,704,000).

19 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 Taiwan 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 Taiwan 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 (i) used to offset a deficit, or (ii) 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 is 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 Company from its functional currency in HK$ to the Group's presentation currency in NTD. The exchange differences are recognised directly in other comprehensive income and accumulated in the exchange reserve.

20 TRADE AND OTHER PAYABLES

	2018 NTD'000	2017 NTD'000
Trade payables (note (a))	**464,234**	174,292
Other payables (note (b))	**8,690**	308,452
Accruals	**108,858**	102,320
Provision for warranty (note (c))	**22,148**	27,926
	603,930	612,990
Contract liabilities (note (d))	**977,374**	–

The carrying amounts of trade and other payables approximate to their fair values and were denominated in the following currencies:

	2018 NTD'000	2017 NTD'000
NTD	**243,372**	482,799
HK$	**14,092**	3,004
USD	**94,084**	98,638
JPY	**230,234**	623
	581,782	585,064

(a) Trade payables

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

	2018 NTD'000	2017 NTD'000
Current or less than 1 month	**161,880**	145,421
1 to 3 months	**252,158**	20,933
More than 3 months to 1 year	**50,196**	7,938
	464,234	174,292

20 TRADE AND OTHER PAYABLES *(Continued)*

(b) The amount includes a dividend payable of NTD 2,670,000 (2017: Nil).

(c) Provision for warranty

	NTD'000
As at 1 January 2017	16,922
Additional provision	35,350
Utilised during the year	(8,491)
Reversal during the year	(15,855)
As at 31 December 2017 and 1 January 2018	27,926
Additional provision	28,991
Utilised during the year	(9,865)
Reversal during the year	(24,904)
As at 31 December 2018	**22,148**

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

(d) Contract liabilities

The Group receives payments from certain customers in advance of the performance under the contracts.

	Year ended 31 December 2018 NTD'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**129,099**

Contract liabilities are recognised if the cumulative payments made by customers exceeds the revenue recognised in profit or loss. Contract liabilities are recognised as revenue when the control of the products have been transferred to the customers at their acknowledgement and performance obligation is fulfilled.

Contract liabilities have increased by approximately NTD671,214,000 as at 31 December 2018 due to more deposits received from customers and an increase in overall contract activity. The amount is expected to be recognised as revenue during the forthcoming financial year.

21 BANK BORROWINGS

	31 December 2018			31 December 2017		
	Current NTD'000	Non-current NTD'000	Total NTD'000	Current NTD'000	Non-current NTD'000	Total NTD'000
Secured						
Bank borrowings (note (a))	**175,000**	**–**	**175,000**	175,000	–	175,000
Long-term bank borrowings (note (b))	**8,333**	**100,000**	**108,333**	8,333	108,333	116,666
Total secured borrowings	**183,333**	**100,000**	**283,333**	183,333	108,333	291,666
Unsecured						
Bank borrowings (note (c))	**130,725**	**–**	**130,725**	138,500	–	138,500
Long-term bank borrowings (note (d))	**27,333**	**5,500**	**32,833**	27,333	29,611	56,944
Total unsecured borrowings	**158,058**	**5,500**	**163,558**	165,833	29,611	195,444
Total borrowings	**341,391**	**105,500**	**446,891**	349,166	137,944	487,110

Notes:

(a) The short-term borrowing at 31 December 2018 and 2017 with a principal amount of NTD175,000,000, is secured by land and building of the Group (note 12). It bears interest at 0.84% above the bank's NTD prime rate per annum and repayable on maturity date.

(b) As at 31 December 2018, the long-term borrowings with principal amount of NTD125,000,000, bear interest at 0.74% above the bank's NTD prime rate per annum and are repayable in 180 monthly installments. These borrowings are secured by land and building of the Group (note 12).

(c) The bank borrowings are carried at amortised cost. Out of the amount, NTD20,000,000 bear interest at 1.13% above the bank's NTD prime rate per annum. The remaining loans bear interest at rate 0.6% above the bank's NTD prime rate per annum as at 31 December 2018.

(d) The unsecured loan with a principal amount of NTD82,000,000 bear interest at 1.04% above the bank's NTD prime rate per annum and is repayable in 36 monthly installments. The unsecured loan with a principal amount of NTD5,500,000 bear interest at 1.14% above the bank's NTD prime rate per annum and is repayable on maturity date.

The bank interests are charged at rate ranging from 1.8% to 4.33% (2017: 1.8% to 3.35%) per annum as at 31 December 2018.

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

	2018 NTD'000	2017 NTD'000
On demand or within 1 year	**341,391**	349,166
More than 1 year, but not exceeding 2 years	**13,833**	37,944
More than 2 years, but not exceeding 5 years	**25,000**	25,000
After 5 years	**66,667**	75,000
	446,891	487,110

21 BANK BORROWINGS *(Continued)*

The carrying amounts of bank borrowings were denominated in the following currencies:

	2018 NTD'000	2017 NTD'000
NTD	**336,167**	378,610
USD	**110,724**	102,152
JPY	**–**	6,348
	446,891	487,110

The Group has undrawn borrowing facilities of NTD201,926,000 (2017: NTD156,978,000).

As at 31 December 2018 and 2017, the carrying amounts of current and non-current borrowings approximate to their fair values.

22 DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and deferred tax liabilities have been offset.

	2018 NTD'000	2017 NTD'000
Deferred income tax assets	**41,906**	19,033
Deferred income tax liabilities	**(1,832)**	(49)
Deferred income tax assets, net	**40,074**	18,984

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

	Deferred tax liabilities	Deferred tax assets				
	Unrealised exchange difference 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 2017	(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
Credited/(Charged) to profit or loss:						
due to changes in tax rate	(9)	1,267	838	1,065	189	3,350
due to changes in timing difference	(1,774)	–	(1,156)	20,265	405	17,740
At 31 December 2018	**(1,832)**	**8,448**	**4,430**	**27,364**	**1,664**	**40,074**

Management intended to reinvest the subsidiary's earnings and therefore no deferred tax is provided for undistributed profits of subsidiary.

23 DIVIDENDS

	2018 NTD'000	2017 NTD'000
Proposed final dividend of HK$0.01 per share (2017: HK$0.01 per share)	**39,240**	37,955

Subsequent to the end of the reporting period, a final dividend of HK$10,000,000 (equivalent to NTD39,240,000) or HK$0.01 (equivalent to approximately NTD0.04) per share in respect of the year ended 31 December 2018 (2017: HK$10,000,000 (equivalent to NTD37,955,000) or HK$0.01 (equivalent to approximately NTD0.04) per share) 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 26 June 2019. The consolidated financial statements do not reflect this recommended dividend.

24 CASH FLOW INFORMATION

(a) Cash generated from operations

	2018 NTD'000	2017 NTD'000
Cash flows from operation activities		
Profit before income tax	**88,806**	57,434
Adjustments for:		
— Interest expenses	**11,388**	8,478
— Write-down of inventories to net realisable value (note 7)	**–**	6,417
— Interest income	**(301)**	(198)
— Provision of warranty	**4,087**	19,495
— Amortisation of intangible assets	**1,228**	1,012
— Depreciation of property, plant and equipment	**14,978**	13,777
	120,186	106,415
Changes in working capital:		
— Increase in inventories	**(523,458)**	(312,289)
— (Increase)/decrease in trade and bills receivables	**(320,768)**	100,583
— Increase in prepayments, deposits and other receivables	**(50,612)**	(3,541)
— Increase in contract liabilities	**665,630**	105,673
— Increase in trade and other payables	**290,597**	4,418
Cash generated from operations	**181,575**	1,259

24 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018 NTD'000	2017 NTD'000
Cash/(debt)		
Cash and cash equivalents	**281,849**	241,489
Borrowings — repayable within one year	**(341,391)**	(349,166)
Borrowings — repayable after one year	**(105,500)**	(137,944)
Net debt	**(165,042)**	(245,621)
Cash and cash equivalents	**281,849**	241,489
Gross debt	**(446,891)**	(487,110)
Net debt	**(165,042)**	(245,621)

	Other asset	**Liabilities from financing activities**	
	Cash and cash equivalents NTD'000	**Borrowing** NTD'000	**Total** NTD'000
Net debt as at 1 January 2017	79,092	(473,106)	(394,014)
Cash flows	165,296	(14,004)	151,292
Foreign exchange adjustments	(2,899)	–	(2,899)
Net debt as at 31 December 2017 and 1 January 2018	241,489	(487,110)	(245,621)
Cash flows	38,528	40,219	78,747
Foreign exchange adjustments	1,832	–	1,832
Net debt as at 31 December 2018	**281,849**	**(446,891)**	**(165,042)**

25 COMMITMENTS

Non-cancellable operating leases

The Group leases properties and office equipment under non-cancellable operating lease agreement. The lease terms are between 2 and 4 years (2017: 1 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:

	2018 NTD'000	2017 NTD'000
Within one year	**6,643**	5,700
Later than one year but not later than 5 years	**7,861**	1,820
	14,504	7,520

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

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

(a) Name and relationship with related parties

Name	Relationship
Mr. Yang	Executive director and key management personnel
Mr. Fan Chiang-Shen ("Mr. Fan")	Executive director and key management personnel
Ms. Wei Hung-Li ("Ms. Wei")	Executive director and key management personnel
Mr. Lin Yen-Po ("Mr. Lin")	Executive director and key management personnel

(b) Transactions with related parties

Certain bank borrowings in the Group was guaranteed by Mr. Yang from January 2017 to February 2017. Such personal guarantee was released in February 2017.

Save as the above and as disclosed in note 26(c), there is no material related party transactions during the years ended 31 December 2017 and 2018.

(c) Key management personnel compensation

	2018 NTD'000	2017 NTD'000
Short-term employee benefits		
— salaries, allowances and benefits in kind	**16,725**	19,586
Post-employment benefits		
— defined contribution retirement plans	**116**	191
	16,841	19,777

Executive directors are considered to be key management personnel.

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 25 March 2019, the Group issued a circular in relation to the proposed acquisition of 1,500,000 share (100%) of the issued shares of Astro Thermal Technology Corporation (the "Target Company"), a company incorporated in Taiwan with limited liability. The aggregate purchase price is NTD300 million (equivalent to approximately HK$75 million), which will be satisfied in cash. Completion is conditional upon the approvals from the shareholders and the Investment Commission, Ministry of Economic Affairs of Taiwan in respect of the proposed acquisition, and the approval from the Hong Kong Stock Exchange in respect of the circular.

28 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2018 NTD'000	2017 NTD'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**270,598**	270,597
	270,598	270,597
Current assets		
Prepayments and other receivables	**716**	1,623
Amounts due from subsidiaries	**86,406**	100,288
Cash and cash equivalents	**21,906**	70,374
	109,028	172,285
Total assets	**379,626**	442,882
EQUITY		
Share capital	**38,815**	38,815
Reserves (note a)	**327,109**	401,524
	365,924	440,339
LIABILITIES		
Current liabilities		
Amount due to subsidiaries	**1**	–
Other payables and accruals	**13,701**	2,543
Total liabilities	**13,702**	2,543
Total equity and liabilities	**379,626**	442,882

28 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Note (a) Reserve movement of the Company

	Share capital NTD'000	Share premium NTD'000	Contributed surplus** NTD'000	Exchange reserve NTD'000	Accumulated losses NTD'000	Total NTD'000
At 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	*	–	277,142	–	–	277,142
Capitalisation issue of shares (note 18)	29,111	(29,111)	–	–	–	–
Issue of shares upon share offer, net of expenses incurred in connection with the issue of shares (note 18)	9,704	175,682	–	–	–	185,386
At 31 December 2017	38,815	146,571	277,142	(10,334)	(11,855)	440,339
Loss for the year	–	–	–	–	(39,265)	(39,265)
Other comprehensive loss for the year	–	–	–	2,805	–	2,805
Loss and total comprehensive loss for the year	–	–	–	2,805	(39,265)	(36,460)
Dividend paid	–	–	(37,955)	–	–	(37,955)
At 31 December 2018	**38,815**	**146,571**	**239,187**	**(7,529)**	**(51,120)**	**365,924**

* 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 for the shares of subsidiaries.

29 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' 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:

	Fees NTD'000	Salaries, allowances and benefits in kind NTD'000	Retirement benefit costs NTD'000	Total NTD'000
Year ended 31 December 2018				
Executive directors:				
Mr. Yang Ming-Hsiang (note 1)	**1,324**	**3,475**	**–**	**4,799**
Mr. Fan Chiang-Shen (note 2)	**1,324**	**3,030**	**–**	**4,354**
Ms. Wei Hung-Li (note 2)	**1,324**	**2,991**	**–**	**4,315**
Mr. Lin Yen-Po (note 3)	**353**	**2,904**	**116**	**3,373**
Independent non-executive directors:				
Mr. Kam Leung Ming (note 4)	**924**	**–**	**–**	**924**
Mr. Cheng Chun Shing (note 4)	**924**	**–**	**–**	**924**
Mr. Ho Pak Chuen Brian (note 4)	**924**	**–**	**–**	**924**
	7,097	**12,400**	**116**	**19,613**
Year ended 31 December 2017				
Executive directors:				
Mr. Yang Ming-Hsing (note 1)	1,336	3,589	–	4,925
Mr. Fan Chiang-Shen (note 2)	868	3,131	–	3,999
Ms. Wei Hung-Li (note 2)	1,336	2,971	–	4,307
Independent non-executive directors:				
Mr. Kam Leung Ming (note 4)	468	–	–	468
Mr. Cheng Chun Shing (note 4)	468	–	–	468
Mr. Ho Pak Chuen Brian (note 4)	468	–	–	468
	4,944	9,691	–	14,635

29 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

Mr Lin Yen-Po had been appointed as director of the Company on 14 August 2018. There is no director resigned during 2018 (2017: Nil).

Note 1: Appointed on 6 June 2016.

Note 2: Appointed on 28 July 2017.

Note 3: Appointed on 14 August 2018.

Note 4: Appointed on 20 June 2017.

(b) Directors' termination benefits

There were no termination benefits paid to any director during or at any time for the years ended 31 December 2018 and 2017.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2018 and 2017, the Group provided no consideration to third parties for making available director's services.

(d) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at the end of the years ended 31 December 2017 and 2018 or at any time during the years ended 31 December 2017 and 2018.

(e) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

	2018 NTD'000	2017 NTD'000	2016 NTD'000	2015 NTD'000	2014 NTD'000
RESULTS					
Revenue	**1,122,046**	1,238,370	1,223,294	1,025,919	685,966
Profit before income tax	**88,806**	57,434	38,465	76,838	66,929
Income tax expense	**(33,205)**	(19,971)	(26,354)	(15,268)	(11,688)
Profit for the year	**55,601**	37,463	12,111	61,570	55,241
ASSETS AND LIABILITIES					
Total assets	**2,547,600**	1,583,502	1,218,227	1,547,992	1,069,800
Total liabilities	**(2,059,430)**	(1,114,810)	(969,485)	(1,295,080)	(848,458)
Net assets	**488,170**	468,692	248,742	252,912	221,342