

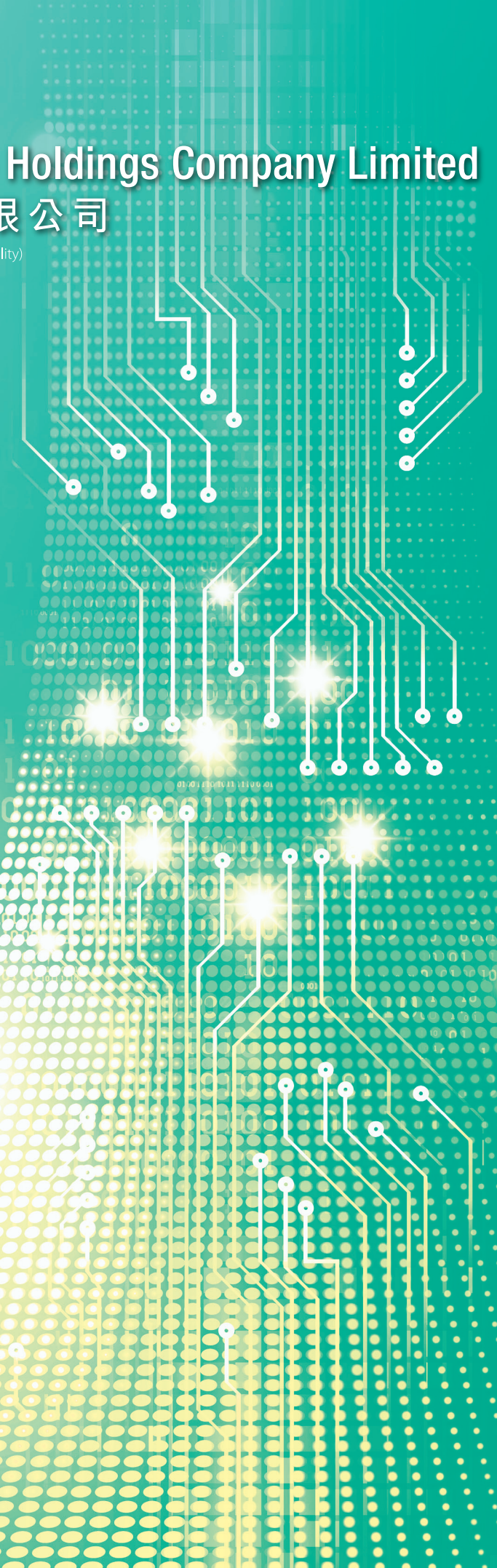


Genes Tech Group Holdings Company Limited 靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8257

FIRST QUARTERLY REPORT 2019





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

BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

(also known as Johnson Fan)

Wei Hung-Li (魏弘麗)

Lin Yen-Po (林衍伯)

Independent non-executive Directors:

Kam Leung Ming (甘亮明)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

AUDIT COMMITTEE

Cheng Chun Shing (鄭鎮昇) (*Chairman*)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

REMUNERATION COMMITTEE

Kam Leung Ming (甘亮明) (*Chairman*)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

Yang Ming-Hsiang (楊名翔)

Wei Hung-Li (魏弘麗)

NOMINATION COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Cheng Chun Shing (鄭鎮昇)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

Wei Hung-Li (魏弘麗)

RISK MANAGEMENT COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

Wei Hung-Li (魏弘麗)

AUDITORS

PricewaterhouseCoopers

22/F Prince's Building

Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

HEAD OFFICE IN TAIWAN

No. 80, Baotai 3rd Road, Zhubei City

Hsinchu County 30244, Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

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>

MARKET OVERVIEW

In 2019, numerous large global semiconductor manufacturers speeded up the development of Artificial Intelligence (“AI”), the Internet of Things (“IoT”) or automotive parts-related fields. Benefiting from the emergence of cloud computing, AI and 5G mobile communication technology (“5G”), the semiconductor industry embraced more development capacities and investment opportunities. It was expected that the commercialisation of 5G in the year would promote active application of IoT, Internet of Vehicles, AI, virtual reality (“VR”), augmented reality (“AR”) and cloud computing. Therefore, blooming business opportunity would be brought to semiconductor components such as sensors, microcontroller unit (MCU), power, power management, radio frequency and storage, resulting in a steady growth momentum to the global semiconductor output. Underpinned by the above trends, the Group was committed to further developing its various businesses and actively seeking for cooperation opportunities, meanwhile more efforts were put in strengthening its control over internal costs and expenses, which drove the Group’s revenue and recorded a significant increase, and has successfully turned around its operations. The management will also continue to closely monitor the latest development of the Sino-US trade dispute and assess any impact it could bring to the financial performance of the Group, and keep our shareholders informed.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of SME and parts in Taiwan, mainly engaging in providing turnkey solution of 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. For the three months ended 31 March 2019, the Group recorded the total revenue of approximately NTD421.70 million (corresponding period in 2018: approximately NTD173.49 million), representing a year-on-year increase of approximately 1.4 times. The total comprehensive income attributable to owners of the Company amounted to approximately NTD33.57 million (corresponding period in 2018: a loss of approximately NTD1.36 million). Basic earnings per share of the Company (“Share”) amounted to approximately NTD3.38 cents (corresponding period in 2018: approximately NTD0.02 cents), with a significant growth in profitability.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions were the major revenue source for the Group. The SME and parts supplied by the Group included furnaces and clean tracks which were 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 were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products.

With growth sustained in business development during the period, the revenue from the turnkey solutions of the Group for the three months ended 31 March 2019 amounted to approximately NTD408.33 million (corresponding period in 2018: approximately NTD164.13 million).

The revenue from the Group’s turnkey solutions was mainly derived from the global leading semiconductor manufacturers. Since 2019, the Group has secured more international customers and orders. New orders has also been made to the Group’s local business in the Taiwan market, which accounted for approximately 47.67% of the Group’s revenue for the three months ended 31 March 2019. Revenue derived from the operations in China and Singapore continued to increase, with the revenue generated from customers of these two markets increased by approximately 3.27 times and 2,323.41 times year-on-year, reflecting the Group’s effectiveness in strengthening, expanding and diversifying its markets.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD13.37 million (corresponding period in 2018: approximately NTD9.36 million) from the trading of SME and parts, representing an increase of approximately 42.84% compared to the corresponding period of last year, and revenue from the trading of SME and parts accounted for approximately 3.17% of total revenue of the Group.

FINANCIAL REVIEW

For the three months ended 31 March 2019, the Group recorded revenue of approximately NTD421.70 million (corresponding period in 2018: approximately NTD173.49 million), representing an increase of approximately 143.07% compared to the corresponding period last year. The increase in the Group's revenue as compared to the corresponding period of last year was mainly resulted from revenue reflected during the period due to completion and delivery of part of the new orders at the end of last year. During the period, the business of turnkey solutions and the trading of SME and parts maintained sound development with revenues of approximately NTD408.33 million (corresponding period in 2018: approximately NTD164.13 million) and NTD13.37 million (corresponding period in 2018: approximately NTD9.36 million) respectively.

The total comprehensive income attributable to owners of the Company amounted to approximately NTD33.57 million (corresponding period in 2018: a loss of approximately NTD1.36 million), while basic earnings per share amounted to approximately NTD3.38cents (corresponding period in 2018: approximately NTD0.02 cents). The cost of sales of the Group amounted to approximately NTD316.44 million (corresponding period in 2018: approximately NTD141.05 million). The increase in cost of sales was mainly due to an increase in new orders during the period.

During the period under review, the Group's gross profit amounted to approximately NTD105.25 million (corresponding period in 2018: approximately NTD32.45 million), while the gross profit margin increased by 6.26% compared to the corresponding period of last year to 24.96% (corresponding period in 2018: 18.70%).

OUTLOOK

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. In respect of the semiconductor industry supply chain, semiconductor materials and equipment, which served as the pillar and supporting the entire semiconductor industry, are located in the upstream and the midstream is the manufacturers of semiconductors. With the PC and smartphone market entering the peak season again in 2019, as well as the new blue ocean market, such as Advanced Driver Assistance Systems (ADAS) and autonomous vehicles, IoT and Industry 4.0, has entered a period of growth, driving strong demand for panel-driven semiconductors, MCU, power management semiconductors (PMICs), Metal Oxide Semiconductor Field Effect Transistor (MOSFET), and rapid growth of the orders of the world's leading semiconductor manufacturers. Under the current circumstances, it is foreseeable that all types of semiconductor manufacturers will deploy business plan to capture more market share. The Group's business focuses on the SME refurbishment and turnkey solutions, which mainly involved the modification and reuse of machinery and equipment. This will enable semiconductor manufacturers to expand their production capacity with lower cost and attract more customers.

Therefore, as the leading turnkey solution providers and exporters of SME and parts in Taiwan, the Group will continue to seize the opportunities present in the burgeoning market with a view to obtaining more new orders and broadening its customer base. Meanwhile, the Group will keep identifying acquisition targets to expand its scale and product lines. In addition, the Group will accelerate the expansion into the Mainland China market, provide customers with better and diversified product solutions through product research and development, as well as explore new customers with precise marketing strategies. In view of the continuous growth in demand for semiconductor products and equipment, in order to enhance productivity in meeting the growing market demand, the Group has commenced the expansion project for the plants in its Taiwan headquarters to further support the Group's business scale and profitability and ensure the production rate remains strong.

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 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 coming three years, the key strategy in the semiconductor industry is to give priority to diversification and the integration of emerging industries, followed by mergers and acquisitions as well as joint ventures, and talent development and management. Having reinforced its existing production capacity and business structure, the Group is eager to seize growth opportunities in the SME industry in both China and Taiwan to further strengthen its industry position while maintain existing strengths and development.

DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 31 March 2019 (for the three months ended 31 March 2018: Nil).

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 March 2019, 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 any of 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 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 or short positions which they were taken or deemed to have under such provisions), or which were required to be 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 of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner	27,975,000	2.79%
	Interest in persons acting in concert (Note)	654,075,000	65.41%
		682,050,000	68.20%
Mr. Fan Chiang-Shen ("Mr. Fan")	Beneficial owner	2,925,000	0.29%
	Interest in persons acting in concert (Note)	679,125,000	67.91%
		682,050,000	68.20%
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner	19,125,000	1.91%
	Interest in persons acting in concert (Note)	662,925,000	66.29%
		682,050,000	68.20%
Mr. Lin Yen-Po ("Mr. Lin")	Beneficial owner	1,200,000	0.12%
	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 of the Company (as defined under the GEM Listing Rules) (the "Controlling Shareholders") (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 March 2019, 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 any of 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 March 2019, 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 of substantial shareholder	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 March 2019, 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 three months ended 31 March 2019 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 three months ended 31 March 2019 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).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 ("Listing Date") to 31 March 2019, 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 has any conflicts of interests with the Group's business.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the period from the Listing Date to 31 March 2019.

COMPLIANCE ADVISER'S INTERESTS

As notified by Ample Capital Limited ("Ample"), compliance adviser of the Company, neither Ample nor any of its close associates and none of the directors or employees of Ample had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2019.

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

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings from 1 January 2019 to 31 March 2019.

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision A.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang is the Chief Executive Officer, and he also performs as the Chairman of the Board as he has considerable experience in the semiconductor industry. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2019 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2019, this first quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

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

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

From 1 January 2019 to 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

Yang Ming-Hsiang

Chairman and Chief Executive Officer

Taiwan, 15 May 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Note	Three months ended 31 March	
		2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Revenue	4	421,696	173,491
Cost of sales	5	(316,442)	(141,045)
Gross profit		105,254	32,446
Other income		572	1,160
Other gains/(losses), net		1,096	(2,216)
Selling and distribution expenses	5	(9,224)	(7,371)
General and administrative expenses	5	(44,169)	(19,513)
		53,529	4,506
Finance income		18	11
Finance costs		(2,687)	(3,358)
Profit before income tax		50,860	1,159
Income tax expense	6	(17,038)	(927)
Profit for the period attributable to owners of the Company		33,822	232
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		(249)	(1,589)
Total comprehensive income/(loss) for the period attributable to owners of the Company		33,573	(1,357)
Earnings per share			
Basic and diluted (NTD cents)	7	3.38	0.02

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital NTD'000	Share premium NTD'000	Statutory reserve NTD'000	Other reserve NTD'000	Exchange reserve NTD'000	Retained earnings NTD'000	Total equity NTD'000
At 1 January 2018 (audited)	38,815	146,571	31,959	182,226	(3,074)	72,195	468,692
Profit for the period	-	-	-	-	-	232	232
Other comprehensive loss	-	-	-	-	(1,589)	-	(1,589)
Total comprehensive loss for the period	-	-	-	-	(1,589)	232	(1,357)
At 31 March 2018 (unaudited)	38,815	146,571	31,959	182,226	(4,663)	72,427	467,335
At 1 January 2019 (audited)	38,815	146,571	39,760	182,226	(1,242)	82,040	488,170
Profit for the period	-	-	-	-	-	33,822	33,822
Other comprehensive loss	-	-	-	-	(249)	-	(249)
Total comprehensive income for the period	-	-	-	-	(249)	33,822	33,573
At 31 March 2019 (unaudited)	38,815	146,571	39,760	182,226	(1,491)	115,862	521,743

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2019

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 Islands. 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. 80, 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.

2 BASIS OF PREPARATION

These condensed consolidated financial information for the three months ended 31 March 2019 has been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRSs issued by the HKICPA.

For those new standards, amendments to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

Taxes on income for the three month periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the three months ended 31 March 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, with the exception of changes in accounting policy as described below.

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2019. Except for adoption of HKFRS 16 "Lease", effect of which is described below, the adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interest in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project (Amendment)	Annual Improvements 2015–2017 Cycle

Change in accounting policy

The following explains the impact of the adoption of HKFRS 16 "Leases" on the Group's condensed consolidated interim financial information and also discloses the new accounting policy that has been applied from 1 January 2019, where it is different to those applied in prior periods.

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It results 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.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities. The right-of-use assets were recognised in the consolidated statement of financial position. Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

	31 December 2018 NTD'000	Adjustment NTD'000	1 January 2019 NTD'000
Condensed consolidated statement of financial position (extract)			
Non current			
Property, plant and equipment	–	12,787	12,787
Lease liabilities	–	7,516	7,516
Current			
Lease liabilities	–	5,271	5,271

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the three months ended 31 March 2019

4 REVENUE AND 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 periods, 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.

	Three months ended 31 March	
	2019 NTD'000 (unaudited)	2018 NTD'000 (unaudited)
Provision of turnkey solution	408,331	164,131
Trading of used semiconductor manufacturing equipment and parts	13,365	9,360
	421,696	173,491
Revenue recognised at a point in time	421,696	173,491

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.

	Three months ended 31 March	
	2019 NTD'000 (unaudited)	2018 NTD'000 (unaudited)
Taiwan (place of domicile)	201,038	110,768
Singapore	102,274	44
PRC	89,588	20,978
United States	27,555	23,383
Japan	776	391
South Korea	–	17,812
Other countries	465	115
	421,696	173,491

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the three months ended 31 March 2019

4 REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	Three months ended 31 March	
	2019 NTD'000 (unaudited)	2018 NTD'000 (unaudited)
Customers		
A	147,191	37,564
B	102,274	—*
C	46,556	30,392

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

5 EXPENSES BY NATURE

	Three months ended 31 March	
	2019 NTD'000 (unaudited)	2018 NTD'000 (unaudited)
Auditors' remuneration		
— Audit services	1,647	150
— Non-audit services (note (a))	3,880	—
Cost of materials used	267,821	97,533
Amortisation of intangible assets (note (b))	200	288
Depreciation of property, plant and equipment (note (c))	4,440	3,388
Research expense	385	223
Provision for warranty, net	14,131	4,521
Employee benefit expenses	45,500	38,861
Professional fees	14,402	2,242
Operating lease payments	608	864
Delivery charges	1,168	6,583
Travelling	2,993	3,359
Insurance	4,501	3,151
Entertainment	431	1,036
Utilities	438	401
Others	7,290	5,329

Notes:

- (a) Non-audit services for the three months ended 31 March 2019 represent the services provided by the Company's auditor for its service for the proposed acquisition, details of which is described in note 8.
- (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 NTD1,839,000 (31 March 2018: NTD2,080,000) and NTD2,601,000 (31 March 2018: NTD1,308,000), respectively, for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the three months ended 31 March 2019

6 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (31 March 2018: 20%).

7 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD33,822,000 (31 March 2018: approximately NTD232,000) and the weighted average of 1,000,000,000 (31 March 2018: 1,000,000,000) shares in issue during the period.

	Three months ended 31 March	
	2019 (unaudited)	2018 (unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	33,822	232
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000
Basic earnings per share (NTD cents per share)	3.38	0.02

(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 periods.

8 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 April 2019, a resolution was passed at the extraordinary general meeting of the Company in relation to the proposed acquisition of Astro Thermal Technology Corporation.