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

INTERIM REPORT 2019

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

This Interim Report is printed on environmentally friendly paper

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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
22/F Prince's Building
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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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 (袁頴欣), *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 54, 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 the first half of 2019, semiconductor industry was affected by negative factors such as trade negotiations between the United States and China, Brexit and sluggish demand for smartphones. Sales data of semiconductor market began to fall to the similar level to last year from the beginning of the year, and the impact on related equipment manufacturers was unavoidable. However, the emergence of Artificial intelligence ("AI") and 5G mobile communication technology ("5G") has brought much new development capacities and investment opportunities for the semiconductor industry. The commercialisation of 5G would accelerate active application of the Internet of Things ("IoT"), Internet of Vehicles, AI, virtual reality ("VR"), augmented reality ("AR") and cloud computing. This trend will not stop in the future. Therefore, blooming business opportunity would be brought to semiconductor components such as sensors, microcontroller unit (MCU), power, power management, radio frequency and storage. Underpinned by the above trends, the Group was committed to further developing its various businesses, while expanding horizontally through acquisition, and as in the past, strictly controlling internal costs and expenditures, all of which have driven the Group's revenue and earnings to rise substantially as compared to the corresponding period of last year.

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 six months ended 30 June 2019, the Group recorded the total revenue of approximately NTD948.59 million (corresponding period in 2018: approximately NTD680.69 million), representing a year-on-year increase of approximately 39.36%. The total comprehensive income attributable to owners of the Company amounted to approximately NTD111.63 million (corresponding period in 2018: approximately NTD35.40 million), representing an increase of 2.15 times as compared to the corresponding period of last year. Basic earnings per share of the Company ("Share") amounted to NTD11.06 cents (corresponding period in 2018: approximately NTD3.39 cents), with a significant growth in profitability.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions remained 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. In addition, the completion of the acquisition of all shares of Astro Thermal Technology Corporation in May this year diversified the product types of the Group and provided a wider product mix for existing customers, thereby expanding new sources of income.

With growth sustained in business development during the period, the revenue from the turnkey solutions of the Group for the six months ended 30 June 2019 amounted to approximately NTD916.59 million (corresponding period in 2018: approximately NTD660.39 million), representing a year-on-year increase of approximately 38.80%.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD32.00 million (corresponding period in 2018: approximately NTD20.31 million) from the trading of SME and parts, representing an increase of approximately 57.54% compared to the corresponding period of last year, and revenue from the trading of SME and parts accounted for approximately 3.37% of total revenue of the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group recorded revenue of approximately NTD948.59 million (corresponding period in 2018: approximately NTD680.69 million), representing an increase of approximately 39.36% from last year. The increase in the Group's revenue as compared to the corresponding period of last year was mainly due to the addition of new customers, the reflection of orders during the period and the incorporation of revenue from Astro Thermal. During the period, the business of turnkey solutions and the trading of SME and parts maintained sound development with revenues of approximately NTD916.59 million (corresponding period in 2018: approximately NTD660.39 million) and NTD32.00 million (corresponding period in 2018: approximately NTD20.31 million) respectively.

The total comprehensive income attributable to owners of the Company amounted to approximately NTD111.63 million (corresponding period in 2018: approximately NTD35.40 million), while basic earnings per share amounted to approximately NTD11.06 cents (corresponding period in 2018: NTD3.39 cents). The cost of sales of the Group amounted to approximately NTD689.32 million (corresponding period in 2018: approximately NTD577.90 million). The increase in cost of sales was mainly due to the reflection of new orders of the Group during the period.

In the first half of 2019, there was no substantial progress towards negotiations between the United States and China. Taxes on China's exports increased costs. New progress was made in Taiwan's existing business of the Group, accounting for approximately 64.22% of the revenue of the Group's related business. The proportion of business revenue in Taiwan, Singapore and Japan continued to increase, representing a year-on-year increase of approximately 77.22%, 157.30% and 98.06% of total revenue of the Group respectively. This reflected that the Group's strategy to diversify and expand markets was effective, which effectively mitigated the risk of market changes individually.

During the period under review, the Group's gross profit amounted to approximately NTD259.27 million (corresponding period in 2018: approximately NTD102.79 million), while the gross profit margin increased by 12.23% as compared to the corresponding period of last year to 27.33% (corresponding period in 2018: 15.10%) . The increase in gross profit margin was mainly due to the increase in revenue from furnaces under turnkey solutions and its relatively low cost of sales, which resulted in growth of gross profit margin as compared to the corresponding period of last year.

OUTLOOK

The United States continues to raise tariffs on Chinese goods, inevitably slowing down China's economy, the largest semiconductor consumer market in the world, and having negative effect on the semiconductor industry. Although the market will bottom in the second half of 2019 according to some analysts, considering manufacturers are cautious about investment due to trade friction between the United States and China, the pace of recovery may slow down. However, with the introduction of 5G wireless technology and a new generation of smart cars into the market, the semiconductor industry will grow in the medium term. Under the current circumstances, all types of semiconductor manufacturers tend to be more cautious. The Group's business focuses on the SME refurbishment and turnkey solutions, which involve the modification and reuse of machinery and equipment to a large extent. This will enable semiconductor manufacturers to expand their production capacity with lower cost and attract more customers.

Genes Tech Group will continue to seize the opportunities for development with a view to obtaining more new orders and broadening its customer base. Meanwhile, the Group will also keep identifying acquisition targets to expand its scale and product lines so as to achieve rapid growth and greater benefits from economies of scale. In addition, the Company will 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 the future, in order to enhance productivity in meeting the growing market demand, the Group will complete the expansion project of the plants in its Taiwan headquarters for the Group's business scale and profitability and ensure the production rate remains strong.

Looking ahead, IoT, AI and 5G will promote the long-term development of the semiconductor market. 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.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the six months ended 30 June 2019. The Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

As at 30 June 2019, the borrowings of the Group totaled approximately NTD798.54 million (31 December 2018: approximately NTD446.89 million). The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as at 30 June 2019 is approximately 115% (31 December 2018: 34%).

CHARGE ON ASSETS

As at 30 June 2019, the Group had certain land and building which were pledged to secure the Group's long-term bank borrowings and short-term bank borrowings, with a principal amount of NTD125.0 million and NTD262.0 million, respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

During the period under review, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant capital commitments (31 December 2018: Nil) and significant contingent liability (31 December 2018: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND CAPITAL ASSETS

The Group did not have any significant investments and disposals of subsidiaries and capital assets other than acquisition of Astro Thermal Technology Corporation ("Astro Thermal") during the period.

The Group and its subsidiary has completed the acquisition of Astro Thermal on 16 May 2019, the resolution of which has been approved at the extraordinary general meeting on 17 April 2019.

HUMAN RESOURCES

As at 30 June 2019, the Group employed approximately 140 employees. 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 30 June 2019, the Group has used 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 loans;

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

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

(5) working capital of the Group.

USE OF PROCEEDS

Item/Date	From the Listing Date to 31 December 2017	Period ended 30 June 2018	Year ended 31 December 2018	Period ended 30 June 2019	Period ended 30 June 2019 in total	Amount utilized as of 30 June 2019	Amount remained unused as of 30 June 2019	% of the amount utilized as of 30 June 2019 to net proceed	Year ending 31 December 2019	Period ending 30 June 2020	Total	Equivalent to HK$ million	% of the net proceed
Currency	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million		NTD million	NTD million	NTD million		
Build an extra floor on our existing headquarter	–	46.5	–	–	46.5	28.0	18.5	21.1%	–	–	46.5	11.6	26.6%
Repay bank loans	10.8	13.6	13.6	13.6	51.6	38.0	13.6	28.7%	13.6	13.2	78.4	19.6	44.9%
Research and development	4.6	2.7	1.2	1.2	9.7	2.9	6.8	2.2%	1.1	–	10.8	2.7	6.2%
Recruit new staff	1.0	2.4	2.7	4.5	10.6	6.1	4.5	4.6%	6.2	6.2	23.0	5.8	13.2%
Working capital	–	12.0	1.0	1.0	14.0	14.0	–	10.6%	1.0	1.0	16.0	4.0	9.2%
Total	16.4	77.2	18.5	20.3	132.4	89.0	43.4	67.2%	21.9	20.4	174.7	43.7	100.0%

As of 30 June 2019, the amount of net proceeds remain unused amounted to approximately NTD43.4 million. The reasons for delay in the application of the intended use of proceeds are mainly due to the delay of construction time and the delay of research and development timetable. The Company intends to apply the unused net proceeds in the same manner set out in the section headed Business Objectives, Future Plans and Use of Proceeds of the Prospectus.

DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 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 30 June 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were 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 positions in the shares:

Name of Director	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang	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 controlled by the Concert Parties.

Save as disclosed above, as at 30 June 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 30 June 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 positions 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 controlled by the Concert Parties.

(6) Mr. Chen is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these shares pursuant to Part XV of the SFO.

(7) Double Solutions is a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.

(8) Ms. Chan is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 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 six months ended 30 June 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 six months ended 30 June 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, the Company or its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 ("the Listing Date") to 30 June 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 had 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 30 June 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 30 June 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 throughout the period from 1 January 2019 to 30 June 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 (the "Audit Committee") has been established by the Board on 20 June 2017 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee comprise Mr. Cheng Chun Shing (Chairman of the Audit Committee), Mr. Kam Leung Ming and Mr. Ho Pak Chuen Brian, all of 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 interim results of the Group for the six months ended 30 June 2019 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019, this interim 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 30 June 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, 13 August 2019

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019	2018
		NTD'000	NTD'000
		(unaudited)	(unaudited)
Revenue	7	**948,588**	680,692
Cost of sales	8	**(689,315)**	(577,900)
Gross profit		**259,273**	102,792
Other income		**615**	2,477
Other gains, net		**2,288**	13,231
Selling and distribution expenses	8	**(17,987)**	(16,715)
General and administrative expenses	8	**(81,623)**	(51,370)
		162,566	50,415
Finance income		**321**	111
Finance costs		**(6,507)**	(5,850)
Profit before income tax		**156,380**	44,676
Income tax expense	9	**(45,800)**	(10,731)
Profit for the period attributable to owners of the Company		**110,580**	33,945
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		**1,048**	1,455
Total comprehensive income for the period attributable to owners of the Company		**111,628**	35,400
Earnings per share			
— Basic and diluted (NTD cents)	10	**11.06**	3.39

As at 30 June 2019

	Note	30 June 2019 NTD'000 (unaudited)	31 December 2018 NTD'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**298,603**	256,095
Right-of-use assets		**10,112**	–
Intangible assets	11	**55,792**	654
Deferred income tax assets		**29,520**	40,074
Deposits		**4,337**	5,098
Goodwill	19	**72,920**	–
		471,284	301,921
Current assets			
Inventories		**1,620,608**	1,470,956
Trade and bills receivables	12	**315,667**	402,233
Prepayments, deposits and other receivables		**85,324**	90,641
Cash and cash equivalents		**107,092**	281,849
		2,128,691	2,245,679
Total assets		**2,599,975**	2,547,600
EQUITY			
Share capital	15	**38,815**	38,815
Reserves		**560,983**	449,355
		599,798	488,170
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	**298,690**	105,500
Lease liabilities		**4,836**	–
		303,526	105,500

As at 30 June 2019

	Note	30 June 2019 NTD'000 (unaudited)	31 December 2018 NTD'000 (audited)
Current liabilities			
Trade payables and other payables	13	**401,006**	603,930
Contract liabilities		**739,584**	977,374
Lease liabilities		**5,330**	–
Bank borrowings	14	**499,854**	341,391
Current income tax liabilities		**50,877**	31,235
		1,696,651	1,953,930
Total liabilities		**2,000,177**	2,059,430
Total equity and liabilities		**2,599,975**	2,547,600

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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
As at 1 January 2018 (audited)	38,815	146,571	31,959	182,226	(3,074)	72,195	468,692
Profit for the period	–	–	–	–	–	33,945	33,945
Other comprehensive income	–	–	–	–	1,455	–	1,455
Total comprehensive income for the period	–	–	–	–	1,455	33,945	35,400
Transfer to statutory reserve	–	–	7,801	–	–	(7,801)	–
As at 30 June 2018 (unaudited)	38,815	146,571	39,760	182,226	(1,619)	98,339	504,092
As at 1 January 2019 (audited)	**38,815**	**146,571**	**39,760**	**182,226**	**(1,242)**	**82,040**	**488,170**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**110,580**	**110,580**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,048**	**–**	**1,048**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,048**	**110,580**	**111,628**
Transfer to statutory reserve	**–**	**–**	**9,333**	**–**	**–**	**(9,333)**	**–**
As at 30 June 2019 (unaudited)	**38,815**	**146,571**	**49,093**	**182,226**	**(194)**	**183,287**	**599,798**

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 NTD'000 (unaudited)	2018 NTD'000 (unaudited)
Cash flows from operating activities			
Cash used in operations		**(220,731)**	(90,635)
Income tax paid		**(39,523)**	(10,731)
Net cash used in operating activities		**(260,254)**	(101,366)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	19	**(214,607)**	–
Purchase of intangible assets		**(270)**	(75)
Interest received		**321**	111
Purchase of property, plant and equipment		**(46,115)**	(3,276)
Net cash used in investing activities		**(260,671)**	(3,240)
Cash flows from financing activities			
Interest paid		**(4,379)**	(5,850)
Proceeds from bank borrowings		**557,909**	15,249
Repayments of bank borrowings		**(206,256)**	(20,111)
Principal elements of lease payments		**(2,745)**	–
Net cash generated from/(used in) financing activities		**344,529**	(10,712)
Net decrease in cash and cash equivalents		**(176,396)**	(115,318)
Cash and cash equivalents at beginning of period		**281,849**	241,489
Effect of foreign exchange rate changes		**1,639**	1,387
Cash and cash equivalents at end of period		**107,092**	127,558
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents		**107,092**	127,558

1 GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of turnkey solution and manufacturing 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 condensed consolidated interim financial information 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 interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("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 six 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 interim 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated interim 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

4 CHANGE IN ACCOUNTING POLICY

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

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.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.1%.

	NTD'000
Operating lease commitments disclosed as at 31 December 2018	**14,504**
Discounted using the Group's incremental borrowing rate of 2.1%	**14,119**
Less: short-term leases recognised on a straight-line basis as expense	**(1,332)**
Lease liability recognised as at 1 January 2019	**12,787**
Of which are:	
Current lease liabilities	**5,271**
Non-current lease liabilities	**7,516**
	12,787

4 CHANGE IN ACCOUNTING POLICY *(Continued)*

(a) Adjustments recognised on adoption of HKFRS 16 *(Continued)*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 NTD'000	1 January 2019 NTD'000
Properties	**4,226**	5,396
Motor vehicles	**5,886**	7,391
Total right-of-use assets	**10,112**	12,787

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

	31 December 2018 NTD'000	**Adjustment** NTD'000	**1 January 2019** NTD'000
Condensed consolidated statement of financial position (extract)			
Non-current			
Right-of-use assets	–	12,787	12,787
Lease liabilities	–	7,516	7,516
Current			
Lease liabilities	–	5,271	5,271

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

4 CHANGE IN ACCOUNTING POLICY *(Continued)*

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

5 ESTIMATES

The preparation of condensed consolidated interim financial information 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.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31 December 2018.

6 FINANCIAL RISK MANAGEMENT

6.1 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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management arrangement and policies since 31 December 2018.

6.2 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 30 June 2019 and 2018. The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as at 30 June 2019 is approximately 115% (31 December 2018: 34%).

6.3 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 values which are estimated based on the discounted cash flows.

6 FINANCIAL RISK MANAGEMENT *(Continued)*

6.4 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.

7 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 (i) provision of turnkey solution and (ii) manufacturing and trading of used semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

	Six months ended 30 June	
	2019 NTD'000 (unaudited)	2018 NTD'000 (unaudited)
Provision of turnkey solution	**916,590**	660,387
Manufacturing and trading of used semiconductor manufacturing equipment and parts	**31,998**	20,305
Revenue recognised at a point in time	**948,588**	680,692

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.

7 REVENUE AND SEGMENT INFORMATION *(Continued)*

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.

	Six months ended 30 June	
	2019	2018
	NTD'000	NTD'000
	(unaudited)	(unaudited)
Taiwan (place of domicile)	**609,207**	343,760
PRC	**142,049**	194,196
Singapore	**111,286**	43,251
Japan	**56,302**	28,427
United States	**28,624**	53,131
South Korea	**–**	17,812
Other regions	**1,120**	115
	948,588	680,692

Information about major customers

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

	Six months ended 30 June	
	2019	2018
	NTD'000	NTD'000
	(unaudited)	(unaudited)
Customers		
A	**400,675**	37,635
B	**171,300**	140,655
C	**102,274**	42,779

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	NTD'000	NTD'000
	(unaudited)	(unaudited)
Auditors' remuneration		
— Audit services	**4,513**	300
— Non-audit services (note (a))	**3,835**	–
Cost of materials used	**570,590**	485,533
Amortisation of intangible assets (note (b))	**1,968**	619
Depreciation of property, plant and equipment (note (c))	**9,431**	6,718
Research expense	**628**	515
Provision for warranty, net	**28,470**	17,178
Employee benefit expenses	**101,347**	84,770
Professional fees	**18,362**	5,782
Operating lease payments	**1,273**	2,354
Delivery charges	**8,487**	15,421
Travelling	**10,426**	8,098
Insurance	**9,128**	6,071
Entertainment	**1,335**	2,860
Utilities	**1,273**	1,095
Advertising	**2,609**	846
Others	**15,250**	8,671

Notes:

(a) Non-audit services for the six months ended 30 June 2019 represent the services provided by the Company's auditor for its service for the acquisition of Astro Thermal which was completed on 16 May 2019 (Note 19).

(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 NTD3,704,000 (six months ended 30 June 2018: NTD4,130,000) and NTD5,727,000 (six months ended 30 June 2018: NTD2,588,000), respectively, for the period.

9 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% (30 June 2018: 20%).

10 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 NTD110,580,000 (six months ended 30 June 2018: approximately NTD33,945,000) and the weighted average of 1,000,000,000 (six months ended 30 June 2018: 1,000,000,000) shares in issue during the period.

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Profit attributable to owners of the Company (NTD'000)	**110,580**	33,945
Weighted average number of ordinary shares in issue (thousands)	**1,000,000**	1,000,000
Basic earnings per share (NTD cents per share)	**11.06**	3.39

(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.

11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group acquired at cost, building of approximately NTD45,708,000 (six months ended 30 June 2018: approximately NTD5,308,000), office equipment of approximately NTD302,000 (six months ended 30 June 2018: approximately NTD426,000) and other equipment of approximately NTD105,000 (six months ended 30 June 2018: approximately NTD98,000).

The Group has additions in intangible assets of approximately NTD57,106,000 during the six months ended 30 June 2019, of which NTD56,836,000 was attributable to the business combination as described in Note 19 (six months ended 30 June 2018: approximately NTD75,000).

12 TRADE AND BILLS RECEIVABLES

	At 30 June 2019 NTD'000 (unaudited)	At 31 December 2018 NTD'000 (audited)
Trade receivables	**315,667**	400,818
Bills receivables	**–**	1,415
	315,667	402,233

12 TRADE AND BILLS RECEIVABLES *(Continued)*

The Group normally allows credit period ranging from 30 to 90 days (31 December 2018: 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 asset carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

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

	At 30 June 2019 NTD'000 (unaudited)	At 31 December 2018 NTD'000 (audited)
1–30 days	**191,274**	340,840
31–90 days	**37,758**	27,496
91–180 days	**29,373**	7,297
181–365 days	**29,243**	26,600
Over 1 year	**28,019**	–
	315,667	402,233

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. The Group had assessed the current and forward looking information on factors affecting the ability of the customers to settle the receivables, and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

As at 30 June 2019, no provision of impairment loss has been recognised (31 December 2018: Nil).

13 TRADE AND OTHER PAYABLES

	At 30 June 2019 NTD'000 (unaudited)	At 31 December 2018 NTD'000 (audited)
Trade payables (note (a))	**225,797**	464,234
Other payables	**30,991**	8,690
Accruals	**100,066**	108,858
Provision for warranty	**44,152**	22,148
	401,006	603,930

13 TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade payables

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

	At 30 June 2019 NTD'000 (unaudited)	At 31 December 2018 NTD'000 (audited)
1–30 days	**116,537**	161,880
31–90 days	**56,602**	252,158
91–365 days	**50,987**	50,196
Over 1 year	**1,671**	–
	225,797	464,234

14 BANK BORROWINGS

	30 June 2019			31 December 2018		
	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))	**262,000**	**–**	**262,000**	175,000	–	175,000
Long-term bank borrowings (note (b))	**8,333**	**95,833**	**104,166**	8,333	100,000	108,333
Total secured borrowings	**270,333**	**95,833**	**366,166**	183,333	100,000	283,333
Unsecured						
Bank borrowings (note (c))	**158,751**	**–**	**158,751**	130,725	–	130,725
Long-term bank borrowings (note (d))	**70,770**	**202,857**	**273,627**	27,333	5,500	32,833
Total unsecured borrowings	**229,521**	**202,857**	**432,378**	158,058	5,500	163,558
Total borrowings	**499,854**	**298,690**	**798,544**	341,391	105,500	446,891

14 BANK BORROWINGS *(Continued)*

Notes:

(a) The short-term borrowing with a principal amount of NTD175,000,000, is secured by land and building of the Group. It bears interest at 0.84% above the bank's NTD prime rate per annum and repayable on maturity date. The short-term borrowing with a principal amount of NTD87,000,000, is secured by building of the Group. It bears interest at 0.66% above the bank's NTD prime rate per annum and repayable on maturity date.

(b) As at 30 June 2019, 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.

(c) These bank borrowings are carried at amortised cost and bear interest ranging from 0.6% to 1.13% above the bank's NTD prime rate per annum as at 30 June 2019.

(d) The unsecured borrowings with principal amounts of NTD82,000,000 and NTD240,000,000 bear interest at 1.04% and 1.34% above the bank's NTD prime rate per annum and is repayable in 36 and 84 monthly installments respectively. Another unsecured borrowing with a principal amount of NTD20,540,000 bears interest at 1.14% above the bank's NTD prime rate per annum and should be repaid on maturity date.

The bank interests are charged at rate ranging from 1.75% to 3.93% (31 December 2018: 1.80% to 4.33%) per annum as at 30 June 2019.

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

	At 30 June 2019 NTD'000 (unaudited)	At 31 December 2018 NTD'000 (audited)
Within 1 year	**499,854**	341,391
More than 1 year, but not exceeding 2 years	**42,619**	13,833
More than 2 years, but not exceeding 5 years	**127,857**	25,000
After 5 years	**128,214**	66,667
	798,544	446,891

The Group has undrawn borrowing facilities of approximately NTD242,264,000 (31 December 2018: approximately NTD201,926,000).

As at 30 June 2019 and 31 December 2018, the carrying amounts of current and non-current borrowings approximate to their fair values.

15 SHARE CAPITAL

	Number of Shares (unaudited)	Share capital NTD'000 (unaudited)
Authorised:		
Ordinary shares of HK$0.01 each in the share capital of the Company	2,000,000,000	77,630
As at 30 June 2019	2,000,000,000	77,630

	Number of Shares (unaudited)	Share capital NTD'000 (unaudited)
Issued and fully paid	1,000,000,000	38,815
As at 31 December 2018 and 30 June 2019	1,000,000,000	38,815

16 DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

17 COMMITMENTS

Non-cancellable operating leases

The Group leases properties and office equipment under non-cancellable operating lease agreement. The lease terms are between 1 and 3 years (31 December 2018: 2 and 4 years). The agreements do not include an extension option.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately NTD6,643,000 with remaining lease term within one year and approximately NTD7,861,000 with remaining lease term later than one year but not later than 5 years respectively. No non-cancellable operating lease commitment as at 30 June 2019.

18 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 period:

Key management personnel compensation

	Six months ended 30 June	
	2019	2018
	NTD'000	NTD'000
	(unaudited)	(unaudited)
Short-term employee benefits		
— salaries, allowances and benefits in kind	**12,963**	5,151
Post-employment benefits		
— defined contribution retirement plans	**102**	–
	13,065	5,151

19 BUSINESS COMBINATION

(a) Acquisition of Astro Thermal

Pursuant to the share purchase agreement entered into between Top Vitality Limited, a wholly-owned subsidiary of the Company and the beneficial owners of Astro Thermal (the "Sellers") dated 12 December 2018, and the supplemental agreement entered into between Genes Tech Co. Limited* (靖洋科技股份有限公司) ("Genes Tech"), an indirect wholly-owned subsidiary of the Company, dated 2 May 2019, Genes Tech acquired 100% equity interest of Astro Thermal in the forms of cash consideration amounted to NTD300 million (equivalent to approximately HK$75 million).

Upon the completion of the acquisition on 16 May 2019, Astro Thermal became a wholly-owned subsidiary of Genes Tech. Acquisition-related costs of approximately NTD15,008,000 have been charged to general and administrative expenses in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2019.

* For identification only

19 BUSINESS COMBINATION *(Continued)*

(a) Acquisition of Astro Thermal *(Continued)*

The provisional fair values of assets acquired and liabilities assumed and the consideration paid at the acquisition date are summarised in the table below:

	NTD'000
Consideration	
Cash paid	300,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	3,021
Intangible assets	396
Intangible assets — customer relationship (note (i))	56,440
Deferred income tax assets	2,766
Trade and bills receivables	49,288
Prepayments, deposits and other receivables	2,403
Inventories	129,377
Cash and cash equivalents	85,393
Trade payables and other payables	(43,896)
Current income tax liabilities	(13,365)
Contract liabilities	(31,423)
Deferred income tax liabilities (note (ii))	(13,320)
Total identifiable net assets	227,080
Goodwill	72,920
Cash consideration paid	300,000
Less: cash and cash acquired	(85,393)
Net cash outflow on acquisition for the period	214,607

19 BUSINESS COMBINATION *(Continued)*

(a) Acquisition of Astro Thermal *(Continued)*

Notes:

(i) The customer relationship recognised in intangible assets with a useful life of 6 years and assessed with a fair value of approximately NTD56,440,000, using multi-period excess earnings method based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its projections:

- Average revenue growth rate from 2.1% to 6.6% with reference to the average performance in the past and the expected returns related to the specific customers; and
- Discount rate of 21.3% is used with reference to the current market data for comparable companies in the relevant industry.

(ii) The deferred income tax liability relating to the fair value of intangible assets amounted to approximately NTD13,320,000, calculated at the Taiwan Income Tax rate of 23.6%.

The revenue included in the condensed consolidated statement of comprehensive income since 16 May 2019 contributed by Astro Thermal was approximately NTD32,456,000. It had net profit of approximately NTD6,486,000 over the same period.

Had Astro Thermal been consolidated from 1 January 2019, the condensed consolidated statement of comprehensive income would show pro-forma revenue of approximately NTD1,002,929,000 and net profit of approximately NTD124,228,000.