



NICHE-TECH GROUP LIMITED

駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8490)

2019
THIRD QUARTERLY
REPORT



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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 board (the “**Board**”) of directors (the “**Directors**”) of Niche-Tech Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “**Group**”). 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.



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019 together with the comparative unaudited figures for the three months and nine months ended 30 September 2018 as follows:

		Three months ended		Nine months ended	
	NOTES	30.9.2019	30.9.2018	30.9.2019	30.9.2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	51,457	57,012	153,836	140,605
Cost of sales		(41,349)	(42,941)	(123,810)	(109,348)
Gross profit		10,108	14,071	30,026	31,257
Other income, other gains and losses	5	765	(797)	1,884	(555)
Impairment losses (recognised) reversed, net		(1,045)	93	(1,313)	345
Selling and distribution expenses		(1,860)	(2,770)	(7,746)	(8,447)
Administrative expenses		(5,711)	(6,740)	(18,492)	(14,847)
Listing expenses		-	-	-	(10,401)
Finance costs	6	(678)	(176)	(1,544)	(592)
Profit (loss) before taxation		1,579	3,681	2,815	(3,240)
Income tax expense	7	(717)	(408)	(1,770)	(1,158)
Profit (loss) for the period	8	862	3,273	1,045	(4,398)
Earnings (loss) per share					
– basic (HK cents)	9	0.12	0.55	0.15	(0.73)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30.9.2019 <i>HK\$'000</i> (unaudited)	30.9.2018 <i>HK\$'000</i> (unaudited)	30.9.2019 <i>HK\$'000</i> (unaudited)	30.9.2018 <i>HK\$'000</i> (unaudited)
Profit (loss) for the period	862	3,273	1,045	(4,398)
Other comprehensive (expense) income				
Item that will not be reclassified to profit or loss:				
Exchange differences arising on translation to presentation currency	(7,521)	(5,773)	(8,092)	(7,715)
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	483	660	467	847
Other comprehensive expense for the period	(7,038)	(5,113)	(7,625)	(6,868)
Total comprehensive expense for the period	(6,176)	(1,840)	(6,580)	(11,266)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2018 (audited)	- *	30,000	100,000	1	(3,654)	4,193	12,544	143,084
Change in accounting policy on adoption of HKFRS 9	-	-	-	-	-	-	(1,089)	(1,089)
At 1 January 2018 (restated)	- *	30,000	100,000	1	(3,654)	4,193	11,455	141,995
Loss for the period	-	-	-	-	-	-	(4,398)	(4,398)
Exchange differences arising on translation to presentation currency	-	-	-	-	(7,715)	-	-	(7,715)
Exchange differences arising on translation of foreign operations	-	-	-	-	847	-	-	847
Total comprehensive expense for the period	-	-	-	-	(6,868)	-	(4,398)	(11,266)
Issue of new shares	1,955	111,435	-	-	-	-	-	113,390
Transaction costs attributable to issue of new shares	-	(8,220)	-	-	-	-	-	(8,220)
Issue of shares by capitalisation of share premium account	5,100	(5,100)	-	-	-	-	-	-
At 30 September 2018 (unaudited)	7,055	128,115	100,000	1	(10,522)	4,193	7,057	235,899
At 1 January 2019 (audited)	7,055	128,115	100,000	1	(14,041)	5,776	10,222	237,128
Profit for the period	-	-	-	-	-	-	1,045	1,045
Exchange differences arising on translation to presentation currency	-	-	-	-	(8,092)	-	-	(8,092)
Exchange differences arising on translation of foreign operations	-	-	-	-	467	-	-	467
Total comprehensive (expense) income for the period	-	-	-	-	(7,625)	-	1,045	(6,580)
At 30 September 2019 (unaudited)	7,055	128,115	100,000	1	(21,666)	5,776	11,267	230,548

* Less than HK\$1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares (the “**Shares**”) of the Company have been listed on the GEM since 30 May 2018.

The Company is an investment holding company. The Group are principally engaged in the development, manufacture and sales of semiconductor packaging materials.

The functional currency of the Company is Renminbi (“**RMB**”). The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) as the Group’s management believes HK\$ is the appropriate presentation currency for the users of the condensed consolidated financial statements.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the condensed consolidated financial statements include applicable disclosures required by Chapter 18 of the GEM Listing Rules.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (“**Audit Committee**”) of the Company and were approved for issue by the Board.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 2019 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as disclosed below, the application of the new and amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3.1 Changes in accounting policies

The Group applied HKFRS 16 with a date of initial application on 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. 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 and amended requirements with respect to lease accounting are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

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 statement of profit or loss over the lease period on a straight-line basis. 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 Leases. These liabilities were measured at the present value of the remaining lease

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss in the period in which it is incurred using effective interest method.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in note 3.1(b). 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 or the lease term.

(b) Accounting policies adopted since 1 January 2019

Until the year ended 31 December 2018, payments made under operating leases were recognised as an expense on a straight-line basis over the lease term. From 1 January 2019 onwards, leases are recognised as right-of-use assets 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 assets are depreciated over the shorter of the asset's useful life or 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;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

- 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION

An analysis of revenue by major products is as follows:

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bonding wire	40,773	40,689	122,030	108,393
Encapsulant	6,525	10,542	18,800	21,249
Others	4,159	5,781	13,006	10,963
	51,457	57,012	153,836	140,605

Geographical information

The Group's revenue is mainly derived from customers located in the People's Republic of China ("PRC") and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC excluding Hong Kong	51,288	55,664	152,539	137,098
Hong Kong	169	1,348	1,297	3,507
	51,457	57,012	153,836	140,605

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	191	353	659	401
Government subsidy income	433	344	1,118	1,072
Gain on disposal of plant and equipment	-	3	-	12
Net foreign exchange gains (losses)	141	(1,500)	96	(2,043)
Others	-	3	11	3
	765	(797)	1,884	(555)

6. FINANCE COSTS

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on bank borrowings	339	176	692	523
Interests on lease liabilities	185	-	594	-
Interests on discounted bills with recourse	154	-	258	69
	678	176	1,544	592

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The income tax expense comprises:				
PRC Enterprise Income Tax ("EIT")				
– Current tax	1,065	408	2,017	1,188
– Overprovision in prior periods	(206)	–	(206)	(204)
	859	408	1,811	984
Deferred tax	(142)	–	(41)	174
	717	408	1,770	1,158

Under the EIT Law and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for 汕頭市駿碼凱撒有限公司 ("Niche-Tech Shantou"). Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise ("HNTE") and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax is made since the relevant group entities had no assessable profits for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

8. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:				
Directors' remuneration:				
Fees	120	120	360	160
Other emoluments, salaries and other benefits	901	877	2,685	1,520
Retirement benefit scheme contributions	16	26	54	53
	1,037	1,023	3,099	1,733
Other staff costs:				
Staff salaries and allowances	6,336	5,399	19,181	15,985
Retirement benefit scheme contributions	791	879	2,455	2,668
	7,127	6,278	21,636	18,653
Total staff costs	8,164	7,301	24,735	20,386
Capitalised in intangible assets	(3,161)	(931)	(5,438)	(2,858)
Capitalised in inventories	(2,130)	(2,150)	(6,727)	(6,163)
	2,873	4,220	12,570	11,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of right-of-use assets	786	–	2,387	–
Depreciation of plant and equipment	2,195	1,902	6,301	5,551
Total depreciation	2,981	1,902	8,688	5,551
Capitalised in intangible assets	(448)	(345)	(1,469)	(1,260)
Capitalised in inventories	(821)	(677)	(2,516)	(2,221)
	1,712	880	4,703	2,070
Amortisation of intangible assets	1,454	1,051	3,847	3,158
Capitalised in inventories	(1,403)	(994)	(3,692)	(2,978)
	51	57	155	180
Auditors' remuneration	557	550	900	850
Cost of inventories recognised as cost of sales	41,349	42,941	123,810	109,348
Research and development costs (excluding depreciation and staff costs) recognised as expenses (included in administrative expenses)	262	391	621	547
Minimum operating lease rentals in respect of rented premises	1	850	35	2,461



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

9. EARNINGS (LOSS) PER SHARE

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

Earnings (loss):

Earnings (loss) for the purpose of

basic earnings (loss) per share:

Profit (loss) for the period

attributable to owners of

the Company

862

3,273

1,045

(4,398)

	Three months ended		Nine months ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

Number of shares:

Weighted average number of

ordinary shares for the

purpose of basic earnings

(loss) per share

705,500,000

598,798,534

705,500,000

598,798,534

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the nine months ended 30 September 2018 has been adjusted retrospectively for the effect of the capitalisation issue, as if the capitalisation issue had been effective on 1 January 2018.

No diluted earnings (loss) per share is presented for nine months ended 30 September 2019 and 2018 as there were no potential ordinary shares in issue during both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Unless otherwise defined, capitalised terms used in this report shall have the same meanings as those defined in the Company's prospectus dated 17 May 2018 (the "**Prospectus**").

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specialising in the development, manufacture and sales of bonding wire and encapsulant headquartered in Hong Kong with its production facilities in Shantou, the PRC. During the nine months ended 30 September 2019 (the "**Period**"), the Group continued to sell its products directly to more than 400 customers mainly located in the PRC and Hong Kong.

During the Period, the Sino-U.S. trade tensions have continued and uncertainties are still surrounding the global economy and bringing negative impact to the industries. Under such circumstances, the export business of the Group's customers went slack and the demand of the Group's products decreased inevitably. In spite of the challenges, the Group reported solid performance during the Period, benefiting from its continued efforts on customer base expansion and product mix enhancement. For encapsulant products, the impact of decreasing demand was partially offset by the expansion of the Group's new products and new customers. For bonding wires, the shift of demand from Gold wire to Gold and Silver Alloy wire contributed a significant business growth. The Group achieved around 9.4% of revenue growth and recorded a net profit after tax of approximately HK\$1.0 million during the Period, as compared with a loss of approximately HK\$4.4 million in the corresponding period in 2018.

The Group has continued to develop and launch its new products to meet the requirements of customers, among which, the new products for mini-LED packaging have already gained a wide recognition and was well-adopted by its customers during the Period. In the meantime, the Group is also developing advanced materials for the QLED and 5G networking market.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue

The Group's revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Period, the Group recorded a revenue of approximately HK\$153.8 million, increased by 9.4% from approximately HK\$140.6 million recorded in the nine months ended 30 September 2018. The revenue of bonding wire products recorded an increase of 12.6% to approximately HK\$122.0 million during the Period (nine months ended 30 September 2018: approximately HK\$108.4 million), mostly due to the increase in sales volume. The revenue of encapsulant products recorded a decrease of 11.5% to approximately HK\$18.8 million during the Period (nine months ended 30 September 2018: approximately HK\$21.2 million), mostly due to a decrease in the average selling price of encapsulant products.

Cost of sales and gross profit

The Group's cost of sales mainly comprised direct material costs, direct labour costs and manufacturing overhead. During the Period, the Group's cost of sales increased by 13.2% to approximately HK\$123.8 million (nine months ended 30 September 2018: approximately HK\$109.3 million), which was in line with the increase of revenue. The gross profit of the Group decreased by 3.9% to approximately HK\$30.0 million for the Period (nine months ended 30 September 2018: approximately HK\$31.3 million). Gross profit margin slightly decreased to 19.5% for the Period from 22.2% for the nine months ended 30 September 2018, due to the decrease in average selling price of encapsulant products.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income, other gains and losses

Other income, other gains and losses of approximately HK\$1.9 million were recorded during the Period (nine months ended 30 September 2018: loss of approximately HK\$0.6 million). The change from the loss to the gain was mainly due to: (i) the Group recognised interest income of approximately HK\$0.7 million from the IPO proceeds (nine months ended 30 September 2018: approximately HK\$0.4 million); and (ii) there was a net foreign exchange gains of approximately HK\$0.1 million for the Period while the net foreign exchange losses was approximately HK\$2.0 million for the nine months ended 30 September 2018, due to the fluctuation of the exchange rate of RMB against HKD.

Expenses

Selling and distribution expenses decreased to approximately HK\$7.7 million for the Period (nine months ended 30 September 2018: approximately HK\$8.4 million). Administrative expenses for the Period increased by approximately HK\$3.6 million to approximately HK\$18.5 million (nine months ended 30 September 2018: approximately HK\$14.8 million), mainly due to: (i) increase in staff cost by approximately HK\$1.2 million as a result of additional headcounts; (ii) increase in recurring legal and professional compliance fees by approximately HK\$0.9 million after the Group's successful listing in May 2018; and (iii) increase in depreciation of plant and equipment by approximately HK\$0.8 million as a result of the increase in additions of plant and equipment after IPO. There was no non-recurring listing expenses for the Period (nine months ended 30 September 2018: approximately HK\$10.4 million).

Profit (loss) and other comprehensive expenses for the period

Summing up the combined effects of the foregoing, profit attributable to owners of the Company for the Period was approximately HK\$1.0 million (nine months ended 30 September 2018: loss of approximately HK\$4.4 million, or net profit of approximately HK\$6.0 million excluding the effect of the non-recurring listing expense of approximately HK\$10.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

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

SEGMENT INFORMATION

Segment information for the Group is presented as disclosed on note 4 to the condensed consolidated financial statements.

FUTURE STRATEGIES AND PROSPECTS

According to World Semiconductor Trade Statistics, affected by the macro economy environment, the worldwide semiconductor market is forecasted to be down by 13.3% in 2019, as compared to an all-time high in 2018. However, for 2020, all regions are forecasted to grow with the overall market up by 4.8%, with the slowdown of global trade tensions. For the PRC market, more business opportunities are arising for semiconductor industry as end-users begin to transfer their supply chains to this fast-growing market and the local government is continuing to support the semiconductor industry. The semiconductor packaging materials industry is expected to benefit from the recovering of the semiconductor market. Looking ahead, the Directors remain confident about the industry and the Group's future development.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to grab the opportunities from the expected market recovery, the Group will continue to expand its customer base and enrich its product mix. It is striving to enhance its R&D capability and develop advanced semiconductor packaging materials, such as for the packaging of QLED products and IC products, being well-positioned to satisfy the demand from the emerging markets of 5G network, automotive electrification, industrial automation, Internet of Things and artificial intelligence. The Directors believe these new products will become another growth momentum for the Group in the future.

Having considered the challenging market environment and the sustainability of the Group's development, the Group is taking effective cost control measures, such as streamlining the sales process and improving production efficiency, so as to raise the economic efficiency of the Group. The Directors believe that the Group's established position in the bonding wire industry, together with its competitive strengths and flexible business strategies, will allow it to pursue more opportunities in the market and facilitate its long-term growth.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSAL

During the Period, the Group has not made any significant investments or material acquisitions and disposal of subsidiaries.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Director's and chief executives' interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations

As at 30 September 2019, the interests or short positions of the Directors and chief executives 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 are required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Long positions in the Shares

Name of Directors	Nature of interest/ holding capacity	Number of Shares held	Percentage of issued share capital of the Company <i>(Note 1)</i>
Mr. Chow Bok Hin Felix ("Mr. Chow") <i>(Note 2)</i>	Interest in a controlled corporation	357,000,000	50.60%
Professor Chow Chun Kay Stephen ("Professor Chow") <i>(Note 2)</i>	Interest in a controlled corporation	357,000,000	50.60%
	Beneficial owner	510,000	0.07%



OTHER INFORMATION

Notes:

- (1) As at 30 September 2019, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Niche-Tech Investment Holdings Limited is indirectly owned as to 40% by Mr. Chow and 60% by Professor Chow. By virtue of SFO, Mr. Chow and Professor Chow are deemed to be interested in the Shares held by Niche-Tech Investment Holdings Limited.

(ii) Interests in shares of the associated corporations of the Company

<u>Name</u>	<u>Name of associated corporation</u>	<u>Nature of interest/ holding capacity</u>	<u>Number of shares held/ interested in the associated corporations</u>	<u>Percentage of shareholding</u>
Professor Chow (Notes 1 and 2)	Chows Investment Group Limited	Beneficial owner	6	60.00%
Mr. Chow (Notes 1 and 2)	Chows Investment Group Limited	Beneficial owner	4	40.00%
Professor Chow (Notes 1 and 2)	Niche-Tech Investment Holdings Limited	Interest in a controlled corporation	10,000,000	100.00%
Mr. Chow (Notes 1 and 2)	Niche-Tech Investment Holdings Limited	Interest in a controlled corporation	10,000,000	100.00%

OTHER INFORMATION

Notes:

- (1) Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited. Niche-Tech Investment Holdings Limited in turn holds 50.60% interest in the Company. Therefore, Chows Investment Group Limited and Niche-Tech Investment Holdings Limited are the associated corporations of the Company for the purpose of the SFO.
- (2) Mr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of Chows Investment Group Limited respectively. Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of Niche-Tech Investment Holdings Limited for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

OTHER INFORMATION

(b) Substantial Shareholders and other persons' interests and short positions in the Shares or underlying shares of the Company

So far as is known to the Directors, as at 30 September 2019, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that 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 pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholder	Nature of interest/ holding capacity	Number of Shares held	Percentage of issued share capital of the Company <i>(Note 1)</i>
Niche-Tech Investment Holdings Limited	Beneficial owner	357,000,000	50.60%
Chows Investment Group Limited <i>(Note 2)</i>	Interest of controlled corporation	357,000,000	50.60%
Mrs. Chow Fung Wai Lan Rita (" Mrs. Chow ") <i>(Note 3)</i>	Interest of spouse	357,510,000	50.67%
Mrs. Chow Kuo Li Jen <i>(Note 4)</i>	Interest of spouse	357,000,000	50.60%
Mr. Ma Ah Muk (" Mr. Ma ")	Beneficial owner	152,490,000	21.61%
Ms. Cheng Pak Ching <i>(Note 5)</i>	Interest of spouse	152,490,000	21.61%

OTHER INFORMATION

Notes:

- (1) As at 30 September 2019, the Company's issued ordinary share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited and is therefore deemed to be interested in the 357,000,000 Shares held by Niche-Tech Investment Holdings Limited for the purpose of the SFO.
- (3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested in for the purpose of the SFO.
- (4) Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Mr. Chow is interested in for the purpose of the SFO.
- (5) Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares of the Company would fall to be required 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 pursuant to Section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 8 May 2018. For the principal terms of the Share Option Scheme, please refer to “D. Share Option Scheme” in Appendix IV to the Prospectus.

Up to the date of this report, no share option had been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors nor the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business that compete or may compete either directly or indirectly with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Period.

OTHER INFORMATION

INTEREST OF THE COMPLIANCE ADVISER

As notified by Titan Financial Services Limited (“**Titan**”), the Company’s compliance adviser, save for the compliance agreement entered into between the Company and Titan dated 1 September 2017 in connection with the Listing, none of Titan or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 September 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company complied with Code of Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules for the Period.

A.2 and A.2.1 of the CG Code stipulates that there should be a clear division of the management of the Board and the day-to-day management of the business. The Group has not appointed the chief executive officer. Day-to-day management of the business of the Group are carried out by the senior management and monitored by the executive Directors, while prior approvals by all executive Directors are required for all strategic decisions which are also considered and confirmed in formal Board meeting. The balance of power and authority of the Company is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being independent non-executive Directors. The Group believes that the existing management structure and decision making procedures are adequate and in the best interest of the Group to cope with the ever-changing economic environment.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard Dealings**”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and the Required Standard Dealings during the Period. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an audit committee of the Board with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The members of the audit committee include three independent non-executive Directors, namely Mr. Poon Lai Yin Michael, Professor Ng Wang Wai Charles and Mr. Tai Chun Kit. Mr. Poon Lai Yin Michael is the chairman of the audit committee.

The audit committee has reviewed the unaudited condensed consolidated results of the Company for the Period and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 8 November 2019

As at the date of this report, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, non-executive Director is Mr. Ma Yung King Leo, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Poon Lai Yin Michael and Mr. Tai Chun Kit.

This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Listed Company Information" page for a minimum period of seven days from the date of its publication. This report will also be published on the Company's website at <http://www.nichetech.com.hk>.