

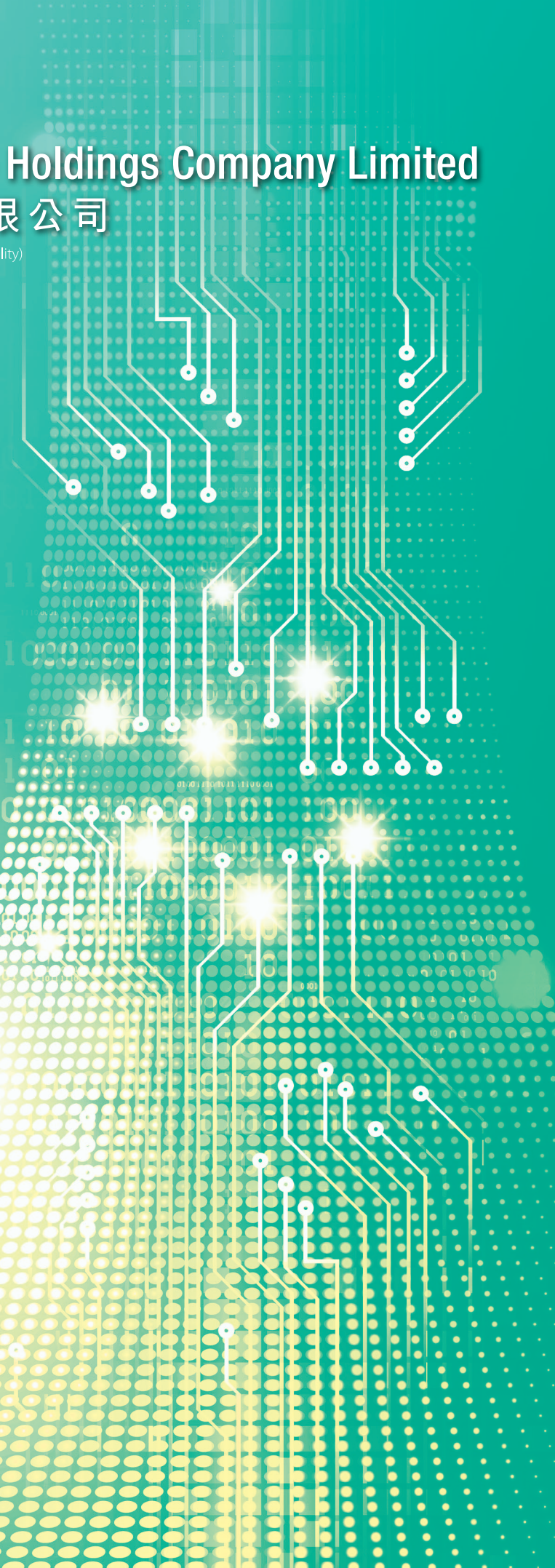


Genes Tech Group Holdings Company Limited 靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8257

THIRD QUARTERLY REPORT 2019



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

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

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

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



BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

(also known as Johnson Fan)

Wei Hung-Li (魏弘麗)

Lin Yen-Po (林衍伯)

Independent non-executive Directors:

Kam Leung Ming (甘亮明)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

AUDIT COMMITTEE

Cheng Chun Shing (鄭鎮昇) (*Chairman*)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

REMUNERATION COMMITTEE

Kam Leung Ming (甘亮明) (*Chairman*)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

Yang Ming-Hsiang (楊名翔)

Wei Hung-Li (魏弘麗)

NOMINATION COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Cheng Chun Shing (鄭鎮昇)

Kam Leung Ming (甘亮明)

Ho Pak Chuen Brian (何百全)

Wei Hung-Li (魏弘麗)

RISK MANAGEMENT COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Fan Chiang-Shen (范強生)

Wei Hung-Li (魏弘麗)

AUDITORS

PricewaterhouseCoopers

22/F Prince's Building

Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

HEAD OFFICE IN TAIWAN

No. 80, Baotai 3rd Road, Zhubei City

Hsinchu County 30244

Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

AUTHORISED REPRESENTATIVES

Yang Ming-Hsiang (楊名翔)
Wei Hung-Li (魏弘麗)

COMPANY SECRETARY

Yuen Wing Yan, Winnie (袁穎欣), *FCS, 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,
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 third quarter of 2019, the recovery trend of the world's semiconductor industry became more obvious. The semiconductor industry in Taiwan even grew, therefore the procurement of semiconductor equipment increased in the headwind. 5G mobile communication technology ("5G") has entered the stage of commercialisation and will be officially put into use from 2020, bringing lots of new opportunities for development and investment. We expect that a boom of 5G product will be ushered in next year. All other related industries, including a new generation of smart cars, Internet of Things ("IoT"), virtual reality ("VR") and augmented reality ("AR"), have entered the stage of research and production, which will push forward to a significant increase in demand for semiconductors. During the nine months ended 30 September 2019, the Group completed horizontal expansion through acquisition to diversify its business, and took various measures including strict control of internal costs and expenses, which fueled the Group's revenue and earnings.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of semiconductor manufacturing equipment ("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 nine months ended 30 September 2019, the Group recorded the total revenue of approximately NTD1,417.15 million (corresponding period in 2018: approximately NTD848.20 million). The trade dispute between the United States and China has casted uncertainties to the global demand of semiconductor in the first half of 2019, however, the Group actively adopted a cautious approach to control costs and expenses strictly during the period. The total comprehensive income attributable to owners of the Company amounted to approximately NTD140.09 million during the period (corresponding period in 2018: approximately NTD36.68 million), representing an increase of approximately 281.90% as compared to the corresponding period of last year. The profitability of the Group continues to enhance.

TURNKEY SOLUTIONS

During the period under review, the Group's turnkey solutions remained its major revenue source. 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. Upon the completion of the acquisition of all shares of Astro Thermal Technology Corporation ("Astro Thermal") in May this year, the Group has diversified product types and provided a wider product mix for existing customers, thereby expanding new sources of income.

Such business maintained a good development trend during the period. The revenue from the turnkey solutions of the Group for the nine months ended 30 September 2019 amounted to approximately NTD1,327.38 million (corresponding period in 2018: approximately NTD815.82 million), representing a year-on-year increase of approximately 62.71%.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD89.76 million (corresponding period in 2018: approximately NTD32.38 million) from the trading of SME and parts, representing an increase of approximately 177.19% as compared to the corresponding period of last year, and revenue from the trading of SME and parts accounted for approximately 6.33% of total revenue of the Group.

FINANCIAL REVIEW

For the nine months ended 30 September 2019, the Group recorded revenue of approximately NTD1,417.15 million (corresponding period in 2018: approximately NTD848.20 million), representing an increase of approximately 67.08% as compared to the corresponding period of 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 and the reflection of orders during the period. During the period, the business of turnkey solutions and the trading of SME and parts maintained sound development with revenues of NTD1,327.38 million (corresponding period in 2018: approximately NTD815.82 million) and NTD89.76 million (corresponding period in 2018: approximately NTD32.38 million), respectively.

The total comprehensive income attributable to owners of the Company amounted to approximately NTD140.09 million (corresponding period in 2018: approximately NTD36.68 million), while basic earnings per share amounted to approximately NTD13.99 cents (corresponding period in 2018: NTD3.49 cents). The cost of sales of the Group amounted to approximately NTD1,053.59 million (corresponding period in 2018: approximately NTD712.02 million). The increase in cost of sales was mainly due to the increase in orders.

The revenue of the Group was mainly generated from providing turnkey solution and/or trading SME and parts to leading semiconductor manufacturers of the world. In the first three quarters of 2019, since there was no substantial progress towards negotiations between the United States and China, taxes on China's exports increased costs, which made certain customers to seek services from Taiwan instead of China. Therefore, the Group seized opportunities for the sale of semiconductors in Taiwan in a timely manner. The proportion of revenue of such business in Taiwan increased and was approximately 60.12% of the revenue of the Group's related business. The business revenue in China, Singapore and Japan continued to increase, representing a year-on-year increase of approximately 5.61%, 198.61% and 92.86%, respectively. This reflected that the Group's strategy to diversify and expand markets was effective, which effectively mitigated the risk of individual market changes.

During the period under review, the Group's gross profit amounted to approximately NTD363.55 million (corresponding period in 2018: approximately NTD136.18 million), while the gross profit margin increased by 9.60% as compared to the gross profit margin of the corresponding period of last year to 25.65% (corresponding period in 2018: 16.05%). The year-on-year increase in gross profit margin was mainly due to the significant increase in segment revenue under turnkey solutions and effective control in cost.

OUTLOOK

According to the statistics of Industrial Technology Research Institute of Taiwan, in 2019, semiconductor industry in Taiwan will grow at an annual rate of 0.1%. The production value of IC design industry, the wafer foundry industry and the IC testing industry will increase at an annual rate of 4.6%, 1.6% and 1.9%, respectively. It reveals that there will be positive growth in these three major sectors of semiconductor industry chain in Taiwan.

In the first quarter of 2019, the sales of semiconductor equipment in Taiwan reached US\$3.81 billion, representing a quarterly increase of 36% and a surge of 68% on a year-on-year basis. Taiwan has become the market with the largest growth in the first quarter and is ranked the largest semiconductor equipment market in the world rising from the second in the fourth quarter of last year. It is due to the transfer of certain orders from mainland China to Taiwan as a result of the effect of the trade dispute between the United States and China. Meanwhile, certain semiconductor manufacturers with plants in mainland China also move their production lines back to Taiwan. Thus, they need to purchase equipment in order to increase production capacity.

In addition to local semiconductor manufacturers, major international companies have further increased their investment in Taiwan. Micron Technology has announced to increase investment in Taiwan at an equivalent foreign currency of NTD66 billion, which indicates that Micron Technology is optimistic about the development of artificial intelligence ("AI") and 5G, as well as the recovery trend of the storage industry from the second half of 2020 to 2021. It is expected that with the launch of 5G and a new generation of smart cars, the semiconductor industry will achieve a high-speed growth. Under the current circumstances, all types of semiconductor manufacturers intend to expand their scales. The Group's business focuses on the SME refurbishment and turnkey solutions, which involve the modification and reuse of machinery and equipment, enabling semiconductor manufacturers to expand their production capacity with lower cost. The Group's business has benefited greatly from this trend.

Genes Tech Group has completed expansion of industrial scale and product line through acquisition of Astro Thermal during the period. It has broadened its customer base and new orders have continued to come. Meanwhile, the Company will provide customers with better and diversified product solutions through product research and development, and 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 has completed the expansion project of the plants in its Taiwan headquarters and upgraded its capacity for the growing business scale that ensures the production rate remains at a strong level. Meanwhile, the Company will enhance the core competitiveness by controlling costs and expenses strictly and continuously, allocating its existing capital rationally, and actively seeking for development opportunities. In the future, the key strategy in the semiconductor industry is to give priority to the integration of emerging industries. Having reinforced its existing production capacity and business structure, the Group is eager to seize growth opportunities that 5G technology brings to the SME industry in both China and Taiwan to strengthen its industry position while maintaining existing strengths and development so as to further increase its market share.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the nine months ended 30 September 2019. The cash of the Group has been, and is expected to continue to be, used primarily for the purpose of satisfying its working capital needs.

As at 30 September 2019, the borrowings of the Group totaled approximately NTD705.69 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 September 2019 was approximately 98.89% (31 December 2018: 34%).

CHARGE ON ASSETS

As at 30 September 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 foreign currencies (mainly the United States dollar) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from the overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During the nine months ended 30 September 2019, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant capital commitments (31 December 2018: Nil) or any 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 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 September 2019, the Group employed approximately 139 employees. All of our staff are full-time employees and reside in Taiwan.

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

DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

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

Note: Pursuant to the concert party agreement dated 22 August 2016 (the "Concert Party Agreement") entered into by Mr. Yang, Tai-Yi Investment Co. Ltd., Ms. Wei, Mr. Fan and Mr. Lin, a group of controlling shareholders of the Company (as defined under the GEM Listing Rules) (the "Controlling Shareholders") of the Company, (the "Concert Parties"), the Concert Parties have agreed with certain arrangements pertaining to their shareholding. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations controlled by the Concert Parties.

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 September 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 30 September 2019, 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 30 September 2019, 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 30 September 2019, 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 30 September 2019, 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 the Independent Third Parties.
- (8) Ms. Chan is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 September 2019, the Directors are not aware of any other persons/entities (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the nine months ended 30 September 2019 and up to the date of this report had any Directors or chief executives of the Company or their respective close associates (as defined under the GEM Listing Rules) had any interests in, or been granted, or exercised any rights to subscribe for any shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the nine months ended 30 September 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 executives 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 September 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 were no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, during the period from the Listing Date to 30 September 2019.

COMPLIANCE ADVISER'S INTERESTS

As notified by Ample Capital Limited ("Ample"), the compliance adviser of the Company, neither Ample nor any of its close associates and none of the directors or employees of Ample had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2019.

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

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from 1 January 2019 to 30 September 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 also performs as the Chairman of the Board as he has considerable experience in the semiconductor industry. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables the overall strategic planning of the Group to be more effective and efficient.

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2019 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2019, the third quarterly report, the accounting principles and practices adopted by the Group and other financial reporting matters. The Audit Committee is satisfied that such results have complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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 September 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 November 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Revenues	4	468,557	167,507	1,417,145	848,199
Cost of sales	5	(364,278)	(134,121)	(1,053,593)	(712,021)
Gross profit		104,279	33,386	363,552	136,178
Other income		287	1,116	902	3,593
Other (losses)/gains, net		(13,412)	(1,118)	(11,124)	12,113
Selling and distribution expenses	5	(6,828)	(5,714)	(24,815)	(22,429)
General and administrative expenses	5	(42,237)	(22,360)	(123,860)	(73,730)
		42,089	5,310	204,655	55,725
Finance income		13	7	334	118
Finance costs		(4,231)	(2,691)	(10,738)	(8,541)
Profit before income tax		37,871	2,626	194,251	47,302
Income tax expense	6	(8,592)	(1,640)	(54,392)	(12,371)
Profit for the period attributable to owners of the Company		29,279	986	139,859	34,931
Other comprehensive (loss)/income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		(820)	296	228	1,751
Total comprehensive income for the period attributable to owners of the Company		28,459	1,282	140,087	36,682
Earnings per share					
Basic and diluted (NTD cents)	7	2.93	0.10	13.99	3.49

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share capital NTD'000	Share premium NTD'000	Statutory reserve NTD'000	Other reserve NTD'000	Exchange reserve NTD'000	Retained earnings NTD'000	Total equity NTD'000
At 1 January 2018 (audited)	38,815	146,571	31,959	182,226	(3,074)	72,195	468,692
Profit for the period	-	-	-	-	-	34,931	34,931
Other comprehensive income	-	-	-	-	1,751	-	1,751
Total comprehensive income for the period	-	-	-	-	1,751	34,931	36,682
Transfer to statutory reserve	-	-	7,801	-	-	(7,801)	-
At 30 September 2018 (unaudited)	38,815	146,571	39,760	182,226	(1,323)	99,325	505,374
At 1 January 2019 (audited)	38,815	146,571	39,760	182,226	(1,242)	82,040	488,170
Profit for the period	-	-	-	-	-	139,859	139,859
Other comprehensive income	-	-	-	-	228	-	228
Total comprehensive income for the period	-	-	-	-	228	139,859	140,087
Transfer to statutory reserve	-	-	16,856	-	-	(16,856)	-
Dividend declared (note 8)	-	-	-	-	-	(39,240)	(39,240)
At 30 September 2019 (unaudited)	38,815	146,571	56,616	182,226	(1,014)	165,803	589,017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts. Its parent and ultimate holding company is Queenbest Development Limited, a private company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Mr. Yang Ming-Hsiang ("Mr. Yang").

The Company is a limited liability company incorporated and domiciled in the Cayman Islands. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group's principal place of business is located at No. 80, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan.

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

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

2 BASIS OF PREPARATION

These condensed consolidated financial information for the nine months ended 30 September 2019 has been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRSs issued by the HKICPA.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Change in accounting policy

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

HKFRS 16 “Leases”

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT (continued)

4 REVENUE AND SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors of the Company (defined as chief operating decision maker) in order to allocate resources and assess performance of the segment. For the current and prior periods, executive directors of the Company regularly review revenue and operating results derived from provision of turnkey solution and manufacturing and trading of used semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

	Three months ended 30 September		Nine months ended 30 September	
	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Provision of turnkey solution	410,791	155,429	1,327,381	815,816
Manufacturing and trading of used semiconductor manufacturing equipment and parts	57,766	12,078	89,764	32,383
Revenue recognised at a point in time	468,557	167,507	1,417,145	848,199

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Taiwan (place of domicile)	242,801	58,063	852,008	401,823
PRC	174,040	105,112	316,089	299,308
Singapore	20,628	925	131,914	44,176
United States	30,475	1,594	59,099	54,725
Japan	613	1,084	56,915	29,511
Other countries	–	729	1,120	18,656
Revenue recognised at a point in time	468,557	167,507	1,417,145	848,199

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT (continued)

4 REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Customers				
A	44,359	9,206	445,034	46,841
B	109,226	21,208	280,526	161,863
C	*	54,624	*	126,584
D	*	5,941	*	122,023

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

5 EXPENSES BY NATURE

	Three months ended 30 September		Nine months ended 30 September	
	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Auditors' remuneration				
— Audit services	2,053	190	6,566	490
— Non-audit services (note (a))	—	—	3,835	—
Cost of materials used	304,339	87,285	874,929	572,818
Amortisation of intangible assets (note (b))	2,803	306	4,771	925
Depreciation of property, plant and equipment (note (c))	4,517	3,670	13,948	10,388
Research expense	338	179	966	694
Provision for warranty, net	10,095	3,801	38,565	20,979
Employee benefit expenses	61,092	26,577	162,439	111,347
Professional fees	4,649	3,586	23,011	9,368
Operating lease payments	535	2,309	1,808	4,663
Delivery charges	5,439	11,739	13,926	27,160
Travelling	7,165	4,586	17,591	12,684
Insurance	4,985	4,599	14,113	10,670
Entertainment	1,042	1,767	2,377	4,627
Utilities	1,100	969	2,373	2,064
Advertising	964	1	3,573	847
Others	2,234	9,786	17,477	18,456

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT (continued)

5 EXPENSES BY NATURE (Continued)

Notes:

- (a) Non-audit services for the nine months ended 30 September 2019 represent the services provided by the Company's auditor for its service for the acquisition of Astro Thermal Technology Corporation which was completed on 16 May 2019.
- (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 NTD5,439,000 (30 September 2018: NTD6,453,000) and NTD8,509,000 (30 September 2018: NTD3,935,000), respectively, for the period.

6 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (30 September 2018: 20%).

7 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD139,859,000 (30 September 2018: approximately NTD34,931,000) and the weighted average of 1,000,000,000 (30 September 2018: 1,000,000,000) shares in issue during the period.

	Three months ended 30 September		Nine months ended 30 September	
	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2018 NTD'000 (Unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	29,279	986	139,859	34,931
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (NTD cents per share)	2.93	0.10	13.99	3.49

(b) Diluted

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

8 DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).