



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



2020

FIRST QUARTERLY REPORT

CHARACTERISTICS OF 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 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.



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

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEAD OFFICE IN TAIWAN

No. 80, Baotai 3rd Road, Zhubei City
Hsinchu County 30244
Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Yuen Wing Yan, Winnie (袁穎欣), *FCIS, FCS (PE)*

COMPLIANCE OFFICER

Wei Hung-Li (魏弘麗)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

CORPORATE INFORMATION (continued)

PRINCIPAL BANKERS

Hang Seng Bank

21/F, 83 Des Voeux Road
Central, Hong Kong

Chang Hwa Commercial Bank (Zhubei Branch)

1F., No.26-3, Taiyuan St.
Zhubei City, Hsinchu County 302082
Taiwan

First Commercial Bank (Tung-Men Branch)

No. 216, Tung Men Street
North District, Hsinchu 300
Taiwan

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

<http://www.genestech.com>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In the first quarter of 2020, the new coronavirus pneumonia (COVID-19) spread around the world, which implicated the turmoil of the global financial market, resulting in the major challenges to the global economic growth and the impact on the operation of various industries including semiconductors. However, the closed quarantine measures implemented by various countries in response to the epidemic during that period has relatively boosted the application requirements of the 5G concept, driving a growth to related semiconductor materials and equipment. Coupled with the sufficient supply of global chip and component inventories, the entire semiconductor industry chain still showed a steady growth trend at the beginning of the year. Led by the steady growth of Taiwan's semiconductor industry chain, the Group believes that it would be able to achieve growth among the stable overall performance and to make sound development of overall operation by seizing the industry's development opportunities, implementing efficient business strategies and strictly controlling internal costs.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used SME and parts in Taiwan, mainly engaging in providing turnkey solution of SME and parts to customers and altering and/or upgrading the semiconductor equipment of production systems according to the customers' needs. Moreover, the Group also carries out the trading of SME and parts. For the three months ended 31 March 2020, the Group recorded a total revenue of approximately NTD386.18 million (corresponding period in 2019: approximately NTD421.70 million). During the period, the Group continuously improved its operational efficiency and effectively controlled costs. The total comprehensive income attributable to owners of the Company amounted to approximately NTD57.53 million (corresponding period in 2019: approximately NTD33.57 million), representing a year-on-year increase of 71.34%. Basic earnings per share amounted to NTD5.71 cents (corresponding period in 2019: approximately NTD3.38 cents), with a steady growth in profitability.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions were the major revenue source for the Group. The SME and parts supplied by the Group included furnaces and clean tracks which were used at the front-end of the semiconductor manufacturing process and wafer fabrication, such as deposition, photoresist coating and development. The semiconductors produced by the customers using the SME of the Group were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products.

The revenue from the turnkey solutions of the Group for the three months ended 31 March 2020 amounted to approximately NTD283.41 million (corresponding period in 2019: approximately NTD408.33 million), representing a decrease of 30.59% as compared to the corresponding period of last year. The decrease was mainly because the revenue of a majority of order in 2019 has been recognized during the first quarter of 2019.

However, with the accumulation of technology and leading market opportunities, the Group's core business from turnkey solutions still strives for stability despite the impact of the complex external environment and the new coronavirus pneumonia epidemic. During the period under review, the Group adhered to the development strategy of product portfolio diversification and technological innovation, and continued to deepen its cooperation with existing international customers. The revenue from its local business in Taiwan accounted for approximately 48.73% of the Group's revenue for the three months ended 31 March 2020. Revenue derived from the United States continued to increase, an increase of 157.78% over the corresponding period of last year.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD102.77 million (corresponding period in 2019: approximately NTD13.37 million) from the trading of SME and parts, representing an increase of approximately 668.91% compared to the corresponding period of last year, and revenue from the trading of SME and parts accounted for approximately 26.61% of total revenue of the Group. The significant increase was due to the Group's acquisition of Astro Thermal Technology Corporation last year, which not only absorbed new customer bases, but also provided customers with a more diversified product portfolio. The significant results in expanding the layout of Taiwan market become a powerful driver for the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

For the three months ended 31 March 2020, the Group recorded revenue of approximately NTD386.18 million (corresponding period in 2019: approximately NTD421.70 million), representing a decrease of approximately 8.42% compared to the corresponding period last year. During the period, the Group recorded revenues from turnkey solutions and the trading of SME and parts of approximately NTD283.41 million (corresponding period in 2019: approximately NTD408.33 million) and NTD102.77 million (corresponding period in 2019: approximately NTD13.37 million), respectively.

The total comprehensive income attributable to owners of the Company amounted to approximately NTD57.53 million (corresponding period in 2019: approximately NTD33.57 million), representing a year-on-year increase of 71.34%, while basic earnings per share amounted to approximately NTD5.71 cents (corresponding period in 2019: NTD3.38 cents). During the period, the cost of sales amounted to approximately NTD256.02 million (corresponding period in 2019: approximately NTD316.44 million).

With the Group's efficient operation management and cost control, the Group's gross profit amounted to approximately NTD130.16 million (corresponding period in 2019: approximately NTD105.25 million) during the period, representing an increase of 23.66%, while the gross profit margin increased by 8.74% compared to the corresponding period of last year to 33.70% (corresponding period in 2019: 24.96%).

OUTLOOK

The outbreak of novel coronavirus has exceeded the market expectations; with the increased global economic downside risks it brought uncertainties to the original semiconductor market recovery in 2020. In short term, the continuous impact of the international epidemic has hindered the normal operation of semiconductor assembly, packaging, testing and logistics, and the delay in and demand in the two major semiconductor consumer markets in the United States and Europe has posed challenges to the entire semiconductor industry chain. However, since the global epidemic prevention and control has made periodic progress, and the global semiconductor industry continues to maintain the growth trend in 2020, the Group looks forward to taking this opportunity to seek more opportunities for strong performance.

During the epidemic, 5G and Artificial Intelligence technologies have become important forces for the fight against the epidemic. The home quarantine measures implemented by various countries has accelerated the construction of 5G base stations worldwide and enhanced the application of semiconductor components for electronic equipment, driving the growth of the demand towards related integrated circuits and wafer equipment, which brought development opportunities against the adverse market for the entire upstream and downstream semiconductor industry chain. In the long run, with the advent of the Internet of Things generation, the demand towards renovation, modification and upgrade of their semiconductor manufacturing equipment from global semiconductor manufacturers will be driven by the demand for end-products and the development of related semiconductor process equipment, which will bring further growth momentum to the Group's main used semiconductor manufacturing equipment turnkey solution business.

From a macro perspective, the novel coronavirus is the main reason for the shock of the global semiconductor market's supply and demand. Coupled with the influence of the Sino-US trade, the reorganization of the semiconductor supply chain has accelerated while the cost of shifting operation location by enterprises increased, bringing opportunities for reorganization of the global silicon material and semiconductor markets. By virtue of Taiwan's advanced packaging technology and foundry process technology and driven by the manufacturing equipment transshipments and the urgent-order effect, Taiwan's semiconductor industry is expected to continue the growth of prior year.

Looking ahead, the development of the global new coronavirus pneumonia remains one of the key factors affecting the semiconductor industry in the second half of the year. The Group will continuously pay close attention to the latest progress of the epidemic as well as evaluate and actively respond to its impact on the Group's financial and operation in a timely manner. The Group's accumulated advantages in product solutions for years, strict cost management and efficient operating capabilities will help the Group to enhance its core competitiveness and expand its customer network, so as to further consolidate its leading position in the market.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2020 (for the three months ended 31 March 2019: Nil).

OTHER INFORMATION

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

As at 31 March 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares:

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner 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") (the "Concert Parties"), the Concert Parties have agreed with certain arrangements pertaining to their shareholding. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties' control.

Save as disclosed above, as at 31 March 2020, 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.

OTHER INFORMATION (continued)

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

As at 31 March 2020, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of total number of Shares
Queenbest Development Limited ("Queenbest") (note 1)	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited ("Ever Wealth") (note 2)	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited ("Planeta") (note 3)	Beneficial interest	63,750,000	6.38%
Tai-Yi Investment Co. Ltd ("Tai Yi") (note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (note 5)	570,750,000	57.07%
		682,050,000	68.20%
Mr. Chen Yuan-Chi ("Mr. Chen") (note 6)	Interest of a controlled corporation	682,050,000	68.20%
Double Solutions Limited ("Double Solutions") (note 7)	Beneficial interest	67,950,000	6.80%
Ms. Chan Suk Sheung Rembi ("Ms. Chan") (note 8)	Interest of a controlled corporation	67,950,000	6.80%

OTHER INFORMATION (continued)

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 41 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding. The other shareholders were mainly employees and ex-employees of Genes Tech Co., Ltd. ("Genes Tech", an indirect wholly-owned subsidiary of the Company) who were independent third parties (as defined under the GEM Listing Rules) ("Independent Third Parties") and each held interests ranging from approximately 0.02% to 7.3%.
- (2) Ever Wealth is a company incorporated in the Republic of Seychelles. As at the date of this report, it was held by 9 individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
- (3) Planeta is a company incorporated in Anguilla. As at the date of this report, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
- (4) Tai Yi is a company incorporated in Taiwan. As at the date of this report, it was held by 6 individual shareholders. Tai Yi is a party to the Concert Party Agreement.
- (5) Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangements pertaining to their shareholding. Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders. The interests in these shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties' control.
- (6) Mr. Chen is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these Shares pursuant to Part XV of the SFO.
- (7) Double Solutions is a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.
- (8) Ms. Chan is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 March 2020, 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.

OTHER INFORMATION (continued)

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the three months ended 31 March 2020 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to subscribe for Shares or underlying Shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the three months ended 31 March 2020 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the Shares or underlying shares in, or debentures of its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 ("Listing Date") to 31 March 2020, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group's business) which, directly or indirectly, was or may be in competition or otherwise has any conflicts of interests with the Group's business.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the period from the Listing Date to 31 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings from 1 January 2020 to 31 March 2020.

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.

OTHER INFORMATION (continued)

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.

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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2020 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2020, this first quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

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

OTHER INFORMATION (continued)

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

From 1 January 2020 to 31 March 2020, 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, 14 May 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Revenue	4	386,175	421,696
Cost of sales	5	(256,020)	(316,442)
Gross profit		130,155	105,254
Other income		88	572
Other gains, net		48	1,096
Selling and distribution expenses	5	(8,386)	(9,224)
General and administrative expenses	5	(42,279)	(44,169)
		79,626	53,529
Finance income		20	18
Finance costs		(4,347)	(2,687)
Profit before income tax		75,299	50,860
Income tax expense	6	(18,233)	(17,038)
Profit for the period attributable to owners of the Company		57,066	33,822
Other comprehensive income/(loss), net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		459	(249)
Total comprehensive income for the period attributable to owners of the Company		57,525	33,573
Earnings per share			
Basic and diluted (NTD cents)	7	5.71	3.38

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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 2019 (audited)	38,815	146,571	39,760	182,226	(1,242)	82,040	488,170
Profit for the period	-	-	-	-	-	33,822	33,822
Other comprehensive loss	-	-	-	-	(249)	-	(249)
Total comprehensive income for the period	-	-	-	-	(249)	33,822	33,573
At 31 March 2019 (unaudited)	38,815	146,571	39,760	182,226	(1,491)	115,862	521,743
At 1 January 2020 (audited)	38,815	146,571	56,616	182,226	(2,966)	204,976	626,238
Profit for the period	-	-	-	-	-	57,066	57,066
Other comprehensive income	-	-	-	-	459	-	459
Total comprehensive income for the period	-	-	-	-	459	57,066	57,525
Transfer to statutory reserve	-	-	30,292	-	-	(30,292)	-
At 31 March 2020 (unaudited)	38,815	146,571	86,908	182,226	(2,507)	231,750	683,763

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 condensed consolidated 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 financial information for the three months ended 31 March 2020 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 2019, which have been prepared in accordance with HKFRSs issued by the HKICPA.

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

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

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

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 2019, 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 2020. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

4 REVENUE AND SEGMENT INFORMATION

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

	Three months ended 31 March	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Provision of turnkey solution	283,410	408,331
Trading of used semiconductor manufacturing equipment and parts	102,765	13,365
Revenue recognised at a point in time	386,175	421,696

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

4 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.

	Three months ended 31 March	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Taiwan (place of domicile)	188,196	201,038
PRC	92,096	89,588
United States	71,031	27,555
Singapore	34,497	102,274
Japan	355	776
Other countries	–	465
	386,175	421,696

Information about major customers

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

Customers	Three months ended 31 March	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
A	70,940	N/A*
B	58,771	N/A*
C	52,718	147,191
D	42,065	46,556

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

5 EXPENSES BY NATURE

	Three months ended 31 March	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Auditors' remuneration		
— Audit services	2,433	1,647
— Non-audit services (note (a))	–	3,880
Cost of materials used	191,666	267,821
Amortisation of intangible assets (note (b))	2,491	200
Depreciation of property, plant and equipment (note (c))	3,471	3,111
Depreciation of right-of-use assets	2,482	1,329
Research expense	276	385
Provision for warranty, net	9,575	14,131
Employee benefit expenses	62,870	45,500
Professional fees	6,964	14,402
Expense relating to short-term leases	337	608
Delivery charges	5,562	1,455
Travelling	2,363	2,993
Insurance	5,994	4,501
Entertainment	574	431
Utilities	620	438
Others	9,007	7,003
	306,685	369,835

Notes:

- Non-audit services for the three months ended 31 March 2019 represent the services provided by the Company's auditor for its service for the acquisition of Astro Thermal Technology Corporation which was completed on 16 May 2019.
- Amortisation of intangible assets is included in "General and administrative expenses".
- Depreciation of property, plant and equipment is included in "Cost of sales" and "General and administrative expenses" amounting to approximately NTD1,789,000 (31 March 2019: NTD1,839,000) and NTD1,682,000 (31 March 2019: NTD1,272,000), 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% (31 March 2019: 23.6%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

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 NTD57,066,000 (31 March 2019: approximately NTD33,822,000) and the weighted average of 1,000,000,000 (31 March 2019: 1,000,000,000) shares in issue during the period.

	Three months ended 31 March	
	2020 (unaudited)	2019 (unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	57,066	33,822
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000
Basic earnings per share (NTD cents per share)	5.71	3.38

(b) Diluted

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

8 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since January 2020, Taiwan and China have reported numerous confirmed cases of Coronavirus ("COVID-19") which has affected the usual business environment of the region as a whole. The situation continue to escalate after the end of this reporting period. Having said that, while the directors will continue to monitor the latest development of the COVID-19 outbreak, it is considered that there is no major disruption to the operations of the Group at the date of this report.