



# 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**  
**INTERIM REPORT**

## **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, 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.*



# CONTENTS

Corporate Information	03
Management Discussion and Analysis	05
Other Information	09
Unaudited Condensed Consolidated Interim Statement of Comprehensive Income	14
Unaudited Condensed Consolidated Interim Statement of Financial Position	15
Unaudited Condensed Consolidated Interim Statement of Changes in Equity	17
Unaudited Condensed Consolidated Interim Statement of Cash Flows	18
Notes to the Unaudited Condensed Consolidated Interim Financial Information	19

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Wei Hung-Li (魏弘麗)

Fan Chiang-Shen (范強生)

(also known as Johnson Fan)

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*)

Wei Hung-Li (魏弘麗)

Kam Leung Ming (甘亮明)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

## RISK MANAGEMENT COMMITTEE

Yang Ming-Hsiang (楊名翔) (*Chairman*)

Wei Hung-Li (魏弘麗)

Fan Chiang-Shen (范強生)

## 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

## CORPORATE INFORMATION (continued)

### 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

### 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.

Zhubel 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 half of 2020, the global spread of novel coronavirus pneumonia (COVID-19) has buffeted the global economy and consumption, leading to the delay in terminal demand in the two major semiconductor consumer markets in the United States and Europe. However, the market still has a strong demand for 5G development and commercialisation, which in turn will drive the growth of the semiconductor industry. Compared with other industries, the semiconductor industry was relatively less affected during this period. In addition, the government has officially listed the semiconductor industry as the top of the six strategic industries and has considered it as an important cornerstone of development, proving that the semiconductor industry in Taiwan plays a role in the international economic and trade development as well as the promotion of national competitiveness. The Group will strive to coordinate the investment in product research and development and the technological upgrade, effectively and strictly control its costs and expenditure, and continue to improve its operating efficiency, enabling the Group to maintain stable profitability under such challenging global business environment.

## BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used SME and parts in Taiwan, mainly engaging in providing turnkey solutions of used SME and parts to customers and altering and/or upgrading the semiconductor equipment of its production systems according to the customers' needs. Moreover, the Group also carries out the trading of SME and its parts. For the six months ended 30 June 2020, the Group recorded a total revenue of approximately NTD843.34 million (corresponding period in 2019: approximately NTD948.59 million). The total comprehensive income attributable to owners of the Company amounted to approximately NTD96.36 million (corresponding period in 2019: approximately NTD111.63 million). Basic earnings per share amounted to approximately NTD9.60 cents (corresponding period in 2019: approximately NTD11.06 cents).

## TURNKEY SOLUTIONS

During the period under review, turnkey solutions were still 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 completion of acquisition of Astro Thermal Technology Corporation last year further diversified the product types of the Group and provided a wider product mix for existing customers, thereby expanding new sources of income.

The revenue from the turnkey solutions of the Group for the six months ended 30 June 2020 amounted to approximately NTD601.00 million (corresponding period in 2019: approximately NTD916.59 million).

## TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD242.34 million (corresponding period in 2019: approximately NTD32.00 million) from the trading of SME and parts, representing an increase of approximately 657.36% compared to the corresponding period of last year, and revenue from the trading of SME and parts accounted for approximately 28.74% of total revenue of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## FINANCIAL REVIEW

The Directors believe that due to the impact of epidemic, the overall global economy experienced a slowdown in growth and the customers of the Company have also become more cautious, slowing down the inspection and acceptance work of turnkey solutions and SME, which affected the revenue recognition of the Company. For the six months ended 30 June 2020, the Group recorded revenue of approximately NTD843.34 million (corresponding period in 2019: approximately NTD948.59 million), representing a decrease of approximately 11.10% from last year. During the period, the business of turnkey solutions and the trading of SME and parts maintained sound development, with revenues of approximately NTD601.00 million and NTD242.34 million respectively.

The total comprehensive income attributable to owners of the Company amounted to approximately NTD96.36 million (corresponding period in 2019: approximately NTD111.63 million), while basic earnings per share amounted to approximately NTD9.60 cents (corresponding period in 2019: approximately NTD11.06 cents). The cost of sales of the Group amounted to approximately NTD617.41 million (corresponding period in 2019: approximately NTD689.32 million).

With the accelerating global trade war, the semiconductor industry in Taiwan is becoming more important. Despite the impact of novel coronavirus pneumonia epidemic, the Group has risen to challenges by seizing market opportunities and maintaining good and close cooperative relationships with the existing international customers, so that its business is able to have a steady development. During the period under review, the revenue from its local business in Taiwan accounted for approximately 56.68% of revenue of the Group, while the revenue from its business in the United States increased by 239.56% over the corresponding period of last year.

During the period under review, the Group's gross profit amounted to approximately NTD225.94 million (corresponding period in 2019: approximately NTD259.27 million); and the gross profit margin was 26.79% (corresponding period in 2019: 27.33%).

## OUTLOOK

In view of the severe epidemics around the world and the subsequent global economic slowdown, the global economy is still under pressure in the short term. The semiconductor market may need a certain period of time to fully recover, while the recovery of the industry largely depends on the results of epidemic control, the measures taken by local governments for economic stability and the economic recovery.

Driven by the acceleration of the construction of 5G base stations in various countries, the demand for data centres and artificial intelligence, and since the semiconductor industry as a whole is more resilient than other industries, it is expected that the prospect of the semiconductor industry will improve in the second half of 2020. In addition, along with the implementation of isolation measures and flexible working arrangement by local governments, the market demand for IT and electronic products such as notebook computers, game consoles and medical devices has surged as well. According to the industry report released by the Market Intelligence & Consulting Institute (MIC), it is anticipated that the global semiconductor market size will grow slightly by 1.2% in 2020, while the growth rate of semiconductors in Taiwan is expected to be 1.7% in 2020, which is slightly better than the global market with an output value of NTD2.45 trillion.

From a macro perspective, with the advent of Internet of Things and 5G generation, there is a strong global demand for high-tech terminal products, which in turn drives the growth of demand for semiconductor equipment. The World Semiconductor Trade Statistics predicts that the market size in 2021 will increase by 6.2% over 2020, reaching USD452.2 billion. According to the industry report updated by SEMI in the second quarter 2020, it will be a banner year for global wafer fabs in 2021, and the growth rate of equipment expenditure is expected to reach 24% to a record high of USD67.7 billion. In addition, the continued escalation of Sino-US trade relations has promoted the reorganisation of the semiconductor supply chain, leading companies to shift to raw material suppliers in other regions, which brings new opportunities for Taiwan to have an economic breakthrough. Semiconductor in Taiwan has established itself as an important core in the world, and is expected to continue its growth and to be recognised by the international market.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Looking ahead, the semiconductor industry condition in the second half of the year is still subject to the development of novel coronavirus pneumonia epidemic in the world. The Group will continue to pay close attention to the latest development of epidemic and will actively adopt a proactive, rapid and orderly contingency strategy to seize new opportunities in adversity to stabilise its business development. The Group also expects that the customer base will gradually expand due to the positive impact of the acquisition of Astro Thermal Technology Corporation last year, and believes that its profitability will be further enhanced. Leveraging on our industry experience over years, coupled with the rigorous requirements for products as always and the timely formulation of strategic development approaches, this will help the Group to enhance its core competitiveness and gradually expand its business footprint, further consolidate its position in the market and create long-term values for its shareholders.

The Company has submitted a formal application to the Stock Exchange on 4 June 2020 for the transfer of listing of the shares of the Company from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules (the "Proposed Transfer of Listing"). Please refer to the announcement of the Company dated 4 June 2020 for details of the Proposed Transfer of Listing. The Company believes that, if materialised, the Proposed Transfer of Listing will enhance the profile of the Group and the attractiveness of the Shares to institutional and retail investors, which may ultimately help promote the business development of the Company and increase its return to its shareholders in the long run. The Board would like to emphasise that the definitive timetable for the Proposed Transfer of Listing has not yet been finalised. Further announcement(s) will be made by the Company to keep the Shareholders and potential investors of the Company informed of the progress of the Proposed Transfer of Listing as and when appropriate.

### LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the six months ended 30 June 2020. The Group's primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 30 June 2020, the borrowings of the Group totalled approximately NTD714.22 million (31 December 2019: approximately NTD778.95 million). As at 30 June 2020, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 91% (31 December 2019: approximately 102%).

### CHARGE ON ASSETS

As at 30 June 2020, certain land and buildings of the Group were pledged to secure the Group's long-term and short-term bank borrowings, with the carrying amount of approximately NTD273.88 million (31 December 2019: approximately NTD206.03 million).

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020, the capital commitments of the Group was approximately NTD11.50 million (31 December 2019: Nil). As at 30 June 2020, the Group did not have any significant contingent liability (31 December 2019: 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 during the period.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### HUMAN RESOURCES

As at 30 June 2020, the Group employed approximately 254 employees. All of our staff are full-time employees and located in Taiwan.

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

### USE OF PROCEEDS FROM THE SHARE OFFER

The Company intends to apply the net proceeds in the manner as stated in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). As at 30 June 2020, the Group has used proceeds as stated in the section headed "Business Objectives, Future Plans and Use of Proceeds" in the Prospectus.

As stated in the section headed "Business Objectives, Future Plans and Use of Proceeds" in the Prospectus, the Group intends to use the proceeds for:

- (1) building an extra floor on its existing self-owned headquarter located in Taiwan;
- (2) repaying bank loans;
- (3) research and development project cooperating with Industrial Technology Research Institute of Taiwan and our in-house research and development;
- (4) recruiting new staff for handling unrefurbished used SME and the provision of turnkey solution; and
- (5) working capital of the Group.

### USE OF PROCEEDS

Item/Date	Intended amount from the Listing Date to 31 December 2017	Intended amount for the six months ended 30 June 2018	Intended amount for the six months ended 31 December 2018	Intended amount for the six months ended 30 June 2019	Intended amount for the six months ended 31 December 2019	Intended amount for the six months ended 30 June 2020	Intended amount as of 30 June 2020	Utilised amount as of 30 June 2020	% of the utilized net proceed as of 30 June 2020	Total intended amount disclosed in the prospectus	Equivalent to HK\$ million	% of the total net proceed
Currency	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million	NTD million		NTD million		
Build an extra floor on our existing headquarter	-	46.5	-	-	-	-	46.5	46.5	26.6%	46.5	11.6	26.6%
Repay bank loans	10.8	13.6	13.6	13.6	13.6	13.2	78.4	78.4	44.9%	78.4	19.6	44.9%
Research and development project cooperating with ITRI and the Company's in-house research and development	4.6	2.7	1.2	1.2	1.1	-	10.8	10.8	6.2%	10.8	2.7	6.2%
Recruit new staff	1.0	2.4	2.7	4.5	6.2	6.2	23.0	23.0	13.2%	23.0	5.8	13.2%
Working capital	-	12.0	1.0	1.0	1.0	1.0	16.0	16.0	9.1%	16.0	4.0	9.1%
<b>Total</b>	<b>16.4</b>	<b>77.2</b>	<b>18.5</b>	<b>20.3</b>	<b>21.9</b>	<b>20.4</b>	<b>174.7</b>	<b>174.7</b>	<b>100%</b>	<b>174.7</b>	<b>43.7</b>	<b>100%</b>

### DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 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 30 June 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 and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

#### Long positions in the shares:

Name of Director	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("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%
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. 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%
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 (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 under the Concert Parties' control.

Save as disclosed above, as at 30 June 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 30 June 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 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%
		<u>682,050,000</u>	<u>68.20%</u>
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 30 June 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.

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 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 six months ended 30 June 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, the Company or its associated corporations (within the meaning of the SFO).

## OTHER INFORMATION (continued)

### DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 ("the Listing Date") to 30 June 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 had any conflicts of interests with the Group's business.

### DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the period from the Listing Date to 30 June 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 throughout the period from 1 January 2020 to 30 June 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.

### 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.

## OTHER INFORMATION (continued)

### AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020, this interim report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

### SHARE OPTION SCHEME

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

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

From 1 January 2020 to 30 June 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, 12 August 2020

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
<b>Revenue</b>	6	<b>457,165</b>	526,892	<b>843,340</b>	948,588
Cost of sales	7	<b>(361,385)</b>	(372,873)	<b>(617,405)</b>	(689,315)
<b>Gross profit</b>		<b>95,780</b>	154,019	<b>225,935</b>	259,273
Other income		<b>25</b>	43	<b>113</b>	615
Other gains, net		<b>5,910</b>	1,192	<b>5,958</b>	2,288
Selling and distribution expenses	7	<b>(4,609)</b>	(8,763)	<b>(12,995)</b>	(17,987)
General and administrative expenses	7	<b>(39,571)</b>	(37,454)	<b>(81,850)</b>	(81,623)
		<b>57,535</b>	109,037	<b>137,161</b>	162,566
Finance income		<b>61</b>	303	<b>81</b>	321
Finance costs		<b>(3,661)</b>	(3,820)	<b>(8,008)</b>	(6,507)
<b>Profit before income tax</b>		<b>53,935</b>	105,520	<b>129,234</b>	156,380
Income tax expense	8	<b>(15,021)</b>	(28,762)	<b>(33,254)</b>	(45,800)
<b>Profit for the period attributable to owners of the Company</b>		<b>38,914</b>	76,758	<b>95,980</b>	110,580
<b>Other comprehensive income, net of tax:</b>					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		<b>(75)</b>	1,297	<b>384</b>	1,048
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>38,839</b>	78,055	<b>96,364</b>	111,628
<b>Earnings per share</b>					
— Basic and diluted (NTD cents)	9	<b>3.89</b>	7.68	<b>9.60</b>	11.06

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 NTD'000 (unaudited)	31 December 2019 NTD'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	314,663	304,177
Right-of-use assets		21,690	23,733
Intangible assets	10	119,016	123,660
Deferred income tax assets		22,153	19,357
Deposits		10,404	8,975
		<b>487,926</b>	479,902
<b>Current assets</b>			
Inventories		1,424,261	1,506,574
Trade receivables	11	319,103	255,569
Prepayments, deposits and other receivables		54,426	114,395
Cash and cash equivalents		56,311	137,349
		<b>1,854,101</b>	2,013,887
<b>Total assets</b>		<b>2,342,027</b>	2,493,789
<b>EQUITY</b>			
Share capital	14	38,815	38,815
Reserves		683,787	587,423
		<b>722,602</b>	626,238



# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

	Note	30 June 2020 NTD'000 (unaudited)	31 December 2019 NTD'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	13	277,796	300,140
Lease liabilities		11,963	14,285
		<b>289,759</b>	314,425
<b>Current liabilities</b>			
Trade and other payables	12	426,485	479,101
Contract liabilities		393,142	545,893
Lease liabilities		9,970	9,570
Bank borrowings	13	436,426	478,805
Current income tax liabilities		63,643	39,757
		<b>1,329,666</b>	1,553,126
<b>Total liabilities</b>		<b>1,619,425</b>	1,867,551
<b>Total equity and liabilities</b>		<b>2,342,027</b>	2,493,789

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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
<b>As at 1 January 2019 (audited)</b>	38,815	146,571	39,760	182,226	(1,242)	82,040	488,170
Profit for the period	-	-	-	-	-	110,580	110,580
Other comprehensive income	-	-	-	-	1,048	-	1,048
Total comprehensive income for the period	-	-	-	-	1,048	110,580	111,628
Transfer to statutory reserve	-	-	9,333	-	-	(9,333)	-
<b>As at 30 June 2019 (unaudited)</b>	38,815	146,571	49,093	182,226	(194)	183,287	599,798
<b>As at 1 January 2020 (audited)</b>	<b>38,815</b>	<b>146,571</b>	<b>56,616</b>	<b>182,226</b>	<b>(2,966)</b>	<b>204,976</b>	<b>626,238</b>
Profit for the period	-	-	-	-	-	95,980	95,980
Other comprehensive income	-	-	-	-	384	-	384
Total comprehensive income for the period	-	-	-	-	384	95,980	96,364
Transfer to statutory reserve	-	-	30,292	-	-	(30,292)	-
<b>As at 30 June 2020 (unaudited)</b>	<b>38,815</b>	<b>146,571</b>	<b>86,908</b>	<b>182,226</b>	<b>(2,582)</b>	<b>270,664</b>	<b>722,602</b>

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		NTD'000	NTD'000
		(unaudited)	(unaudited)
	Note		
<b>Cash flows from operating activities</b>			
Cash generated from/(used) in operations		25,449	(220,731)
Income tax paid		(12,164)	(39,523)
Net cash generated from/(used in) operating activities		13,285	(260,254)
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary, net of cash acquired	18	–	(214,607)
Purchase of intangible assets		–	(270)
Interest received		81	321
Purchase of property, plant and equipment		(17,011)	(46,115)
Net cash used in investing activities		(16,930)	(260,671)
<b>Cash flows from financing activities</b>			
Interest paid		(6,930)	(4,379)
Proceeds from bank borrowings		159,905	557,909
Repayments of bank borrowings		(224,628)	(206,256)
Principal elements of lease payments		(4,825)	(2,621)
Interest elements of lease payments		(249)	(124)
Net cash (used in)/generated from financing activities		(76,727)	344,529
<b>Net decrease in cash and cash equivalents</b>		<b>(80,372)</b>	<b>(176,396)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>137,349</b>	<b>281,849</b>
Effect of foreign exchange rate changes		(666)	1,639
<b>Cash and cash equivalents at end of period</b>		<b>56,311</b>	<b>107,092</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents		56,311	107,092

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL

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

## 2 BASIS OF PREPARATION

These condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 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 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31 December 2019.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management arrangement and policies since 31 December 2019.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less short-term bank deposits, restricted bank deposits and cash and cash equivalents.

The Group was in a net debt position as at 30 June 2020 and 31 December 2019. The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as at 30 June 2020 is approximately 91% (31 December 2019: approximately 102%).

### 5.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade and other receivables, and cash and cash equivalents, and current financial liabilities, including trade and other payables and bank borrowings approximate to their fair values due to their short maturities. The carrying amount of non-current deposits and non-current borrowings approximate to their fair values which are estimated based on the discounted cash flows.

### 5.4 Offsetting financial assets and financial liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has no financial assets and financial liabilities, which is subject to offsetting, enforceable master netting arrangements and similar agreements.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 6 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 30 June		Six months ended 30 June	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Provision of turnkey solution	<b>317,591</b>	508,259	<b>601,001</b>	916,590
Trading of used semiconductor manufacturing equipment and parts	<b>139,574</b>	18,633	<b>242,339</b>	31,998
Revenue recognised at a point in time	<b>457,165</b>	526,892	<b>843,340</b>	948,588

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 June		Six months ended 30 June	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Taiwan (place of domicile)	<b>289,769</b>	408,169	<b>477,965</b>	609,207
PRC	<b>138,804</b>	52,461	<b>230,900</b>	142,049
United States	<b>26,165</b>	1,069	<b>97,196</b>	28,624
Singapore	<b>1,494</b>	9,012	<b>35,991</b>	111,286
Japan	<b>158</b>	55,526	<b>513</b>	56,302
Other countries	<b>775</b>	655	<b>775</b>	1,120
	<b>457,165</b>	526,892	<b>843,340</b>	948,588

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 6 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 June		Six months ended 30 June	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
<b>Customers</b>				
A	<b>86,668</b>	253,484	<b>139,386</b>	400,675
B	<b>65,727</b>	21,585	<b>124,498</b>	21,585
C	<b>106,650</b>	–	<b>106,650</b>	–
D	<b>55,167</b>	124,744	<b>97,232</b>	171,300
E	<b>25,928</b>	45,376	<b>96,868</b>	45,462
F	<b>N/A*</b>	–	<b>N/A*</b>	102,274

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

## 7 EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Auditors' remuneration				
— Audit services	<b>2,365</b>	2,866	<b>4,798</b>	4,513
— Non-audit services (note (a))	<b>1,935</b>	–	<b>1,935</b>	3,835
Cost of materials used	<b>299,784</b>	302,769	<b>491,450</b>	570,590
Amortisation of intangible assets (note (b))	<b>2,502</b>	1,768	<b>4,993</b>	1,968
Depreciation of property, plant and equipment (note (c))	<b>3,752</b>	3,645	<b>7,223</b>	6,756
Depreciation of right-of-use assets	<b>2,713</b>	1,346	<b>5,195</b>	2,675
Research expense	<b>251</b>	243	<b>527</b>	628
Provision for warranty, net	<b>9,377</b>	14,339	<b>18,952</b>	28,470
Commission	<b>3,249</b>	445	<b>5,200</b>	445
Employee benefit expenses	<b>49,445</b>	55,402	<b>112,315</b>	100,902
Professional fees	<b>10,533</b>	3,960	<b>17,497</b>	18,362
Expense relating to short-term leases	<b>323</b>	665	<b>660</b>	1,273
Delivery charges	<b>4,294</b>	7,032	<b>9,856</b>	8,487
Travelling	<b>2,177</b>	7,433	<b>4,540</b>	10,426
Insurance	<b>4,961</b>	4,627	<b>10,955</b>	9,128
Entertainment	<b>324</b>	904	<b>898</b>	1,335
Utilities	<b>887</b>	835	<b>1,507</b>	1,273
Others	<b>6,693</b>	10,811	<b>13,749</b>	17,859
	<b>405,565</b>	419,090	<b>712,250</b>	788,925



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 7 EXPENSES BY NATURE (Continued)

Notes:

- (a) Non-audit services for the six months ended 30 June 2020 represent the services provided by the Company's auditor for its service for the proposed transfer from GEM to Main Board of the Stock Exchange. Non-audit services for the six months ended 30 June 2019 represent the services provided by the Company's auditor for its service for the acquisition of Astro Thermal Technology Corporation ("Astro Thermal Technology") which was completed on 16 May 2019 (Note 18).
- (b) Amortisation of intangible assets is included in "General and administrative expenses".
- (c) Depreciation of property, plant and equipment is included in "Cost of sales" and "General and administrative expenses" amounting to approximately NTD3,593,000 (six months ended 30 June 2019: NTD3,704,000) and NTD3,630,000 (six months ended 30 June 2019: NTD3,052,000), respectively, for the period.

## 8 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (30 June 2019: 23.6%).

## 9 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 NTD95,980,000 (six months ended 30 June 2019: approximately NTD110,580,000) and the weighted average of 1,000,000,000 (six months ended 30 June 2019: 1,000,000,000) shares in issue during the period.

	Three months ended 30 June		Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit attributable to owners of the Company (NTD'000)	<b>38,914</b>	76,758	<b>95,980</b>	110,580
Weighted average number of ordinary shares in issue (thousands)	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Basic earnings per share (NTD cents per share)	<b>3.89</b>	7.68	<b>9.60</b>	11.06

### (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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group incurred expenditure of approximately NTD12,431,000 capitalised as construction in progress (six months ended 30 June 2019: approximately NTD45,708,000) and acquired at cost, leasehold improvements of approximately NTD2,345,000 (six months ended 30 June 2019: Nil) and office equipment of approximately NTD2,933,000 (six months ended 30 June 2019: approximately NTD407,000).

The Group has additions in intangible assets of approximately NTD349,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately NTD57,106,000, of which NTD56,836,000 was attributable to the business combination as described in Note 18).

## 11 TRADE RECEIVABLES

	At 30 June 2020 NTD'000 (unaudited)	At 31 December 2019 NTD'000 (audited)
Trade receivables	<b>319,103</b>	255,569

The Group normally allows credit period ranging from 30 to 180 days (31 December 2019: 30 to 90 days) to its major customers.

The Group applies the HKFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. The Group assesses on a forward looking basis the expected credit losses associated with its financial asset carried at amortised cost. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 11 TRADE RECEIVABLES (Continued)

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

	At 30 June 2020 NTD'000 (unaudited)	At 31 December 2019 NTD'000 (audited)
1-30 days	219,137	74,456
31-90 days	69,098	77,476
91-180 days	10,948	17,464
181-365 days	10,719	44,646
Over 1 year	9,201	41,527
	<b>319,103</b>	255,569

Trade receivables are related to a number of customers that had a good track record of credit with the Group. Based on past credit history, with the consideration of current and forward looking information, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality.

As at 30 June 2020, no provision of impairment loss has been recognised (31 December 2019: Nil).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 12 TRADE AND OTHER PAYABLES

	At 30 June 2020 NTD'000 (unaudited)	At 31 December 2019 NTD'000 (audited)
Trade and notes payables (note (a))	<b>280,591</b>	294,646
Other payables	<b>1,064</b>	1,165
Accruals	<b>97,898</b>	147,996
Provision for warranty	<b>46,932</b>	35,294
	<b>426,485</b>	479,101

### (a) Trade and notes payables

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

	At 30 June 2020 NTD'000 (unaudited)	At 31 December 2019 NTD'000 (audited)
Current or less than 1 month	<b>82,020</b>	54,365
1 to 3 months	<b>53,989</b>	88,444
More than 3 months to 1 year	<b>128,033</b>	151,837
More than 1 year	<b>16,549</b>	–
	<b>280,591</b>	294,646

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 13 BANK BORROWINGS

	30 June 2020			31 December 2019		
	Current NTD'000 (unaudited)	Non-current NTD'000 (unaudited)	Total NTD'000 (unaudited)	Current NTD'000 (audited)	Non-current NTD'000 (audited)	Total NTD'000 (audited)
<i>Secured</i>						
Bank borrowings (note (a))	262,000	–	262,000	262,000	–	262,000
Long-term bank borrowings (note (b))	10,402	109,224	119,626	10,402	114,425	124,827
Total secured borrowings	272,402	109,224	381,626	272,402	114,425	386,827
<i>Unsecured</i>						
Bank borrowings (note (c))	129,738	–	129,738	172,117	–	172,117
Long-term bank borrowings (note (d))	34,286	168,572	202,858	34,286	185,715	220,001
Total unsecured borrowings	164,024	168,572	332,596	206,403	185,715	392,118
Total borrowings	436,426	277,796	714,222	478,805	300,140	778,945

Notes:

- (a) The short-term borrowing with a principal amount of NTD175,000,000, is secured by land and building of the Group. It bears interest at 0.84% above the variable interest rate for one-year post office deposits per annum and repayable on maturity date. The short-term borrowing with a principal amount of NTD87,000,000, is secured by land and building of the Group. It bears interest at 0.66% above the bank's variable interest rate for one-year deposits per annum and repayable on maturity date.
- (b) As at 30 June 2020, the long-term borrowings represent two loans with principal amount of NTD25,000,000 and NTD125,000,000, respectively. These borrowings bear interest at 0.74% above the variable interest rate for one-year post office deposits per annum and are repayable in 145 and 180 monthly installments, respectively. These borrowings are secured by land and building of the Group.
- (c) The bank borrowings are carried at amortised cost. Out of the amount, NTD20,000,000 bear interest at 1.13% above the bank's interest rate for one-month deposits per annum. The remaining borrowings bear interest at rate 0.6% to 2.0% above the bank's foreign currency interest rate per annum as at 30 June 2020.
- (d) The unsecured borrowings with a principal amount of NTD240,000,000 bear interest at 1.34% above the variable interest rate for one-year post office deposits per annum and is repayable in 84 monthly installments.

The bank interests are charged at rate ranging from 1.22% to 2.66% (31 December 2019: 1.75% to 3.68%) per annum as at 30 June 2020.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 13 BANK BORROWINGS (Continued)

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

	At 30 June 2020 NTD'000 (unaudited)	At 31 December 2019 NTD'000 (audited)
Within 1 year	436,426	478,805
More than 1 year, but not exceeding 2 years	44,688	44,688
More than 2 years, but not exceeding 5 years	134,064	134,064
After 5 years	99,044	121,388
	<b>714,222</b>	778,945

The Group has undrawn borrowing facilities of approximately NTD229,202,000 (31 December 2019: approximately NTD194,102,000).

## 14 SHARE CAPITAL

	Number of Shares (unaudited)	Share capital NTD'000 (unaudited)
Authorised		
Ordinary shares of HK\$0.01 each in the share capital of the Company	2,000,000,000	77,630
<b>As at 31 December 2019, 1 January 2020 and 30 June 2020</b>	<b>2,000,000,000</b>	<b>77,630</b>

  

	Number of Shares (unaudited)	Share capital NTD'000 (unaudited)
Issued and fully paid	1,000,000,000	38,815
<b>As at 31 December 2019, 1 January 2020 and 30 June 2020</b>	<b>1,000,000,000</b>	<b>38,815</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 15 DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 16 COMMITMENTS

### (a) Capital commitment

	At 30 June 2020 NTD'000 (unaudited)	At 31 December 2019 NTD'000 (audited)
Contracted but not provided for, in respect of — leasehold improvements	<b>11,500</b>	–

### (b) Non-cancellable short-term leases

The Group leases properties and office equipment under non-cancellable short-term lease agreement. The agreements do not include an extension option.

As at 30 June 2020, the Group has non-cancellable short-term lease commitments of approximately NTD922,000 with remaining lease term within one year. No non-cancellable short-term lease commitments as at 31 December 2019.

## 17 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

The Group carried out the following transactions with its related parties during the period:

### Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)	2020 NTD'000 (unaudited)	2019 NTD'000 (unaudited)
Short-term employee benefits — salaries, allowances and benefits in kind	<b>5,183</b>	8,313	<b>9,622</b>	12,963
Post-employment benefits — defined contribution retirement plans	<b>52</b>	51	<b>104</b>	102
	<b>5,235</b>	8,364	<b>9,726</b>	13,065

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 18 BUSINESS COMBINATION

### Acquisition of Astro Thermal Technology Corporation

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

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

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

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

The goodwill is attributable to the expected synergy between Genes Tech and Astro Thermal Technology. It will not be deductible for tax purposes.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

## 18 BUSINESS COMBINATION (Continued)

### Acquisition of Astro Thermal Technology Corporation (Continued)

Notes:

- (i) The customer relationship recognised in intangible assets with a useful life of 6 years and assessed with a fair value of approximately NTD56,440,000, using multi-period excess earnings method based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its projections:
- Average revenue growth rate from 2.1% to 6.6% with reference to the average performance in the past and the expected returns related to the specific customers; and
  - Discount rate of 21.3% is used with reference to the current market data for comparable companies in the relevant industry.
- (ii) The deferred income tax liability relating to the fair value of intangible assets amounted to approximately NTD13,320,000, calculated at the Taiwan Income Tax rate of 20%.

The revenue included in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2019 since 16 May 2019 contributed by Astro Thermal Technology was approximately NTD32,456,000. It had net profit of approximately NTD6,486,000 over the same period.

Had Astro Thermal Technology been consolidated from 1 January 2019, the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2019 would show pro-forma revenue of approximately NTD1,002,929,000 and net profit of approximately NTD124,228,000.