

駿碼科技集團

nichetech

better value for quality



nichetech

NICHE-TECH GROUP LIMITED

駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8490)

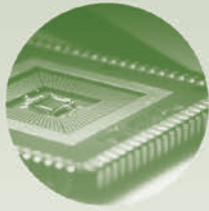
CHARACTERISTICS OF GEM (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 Main Board of 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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



CONTENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	21
Other Information	29

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Three months ended		Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Revenue	4	33,554	56,455	69,235	102,379
Cost of sales		(27,138)	(45,347)	(55,948)	(82,461)
Gross profit		6,416	11,108	13,287	19,918
Other income, other gains and losses	5	1,485	338	3,744	1,119
Impairment losses under expected credit loss model, net of reversal		(145)	(268)	(635)	(268)
Selling and distribution expenses		(2,017)	(3,040)	(4,630)	(5,886)
Administrative expenses		(7,262)	(7,288)	(12,927)	(12,781)
Finance costs	6	(507)	(456)	(797)	(866)
(Loss) profit before taxation		(2,030)	394	(1,958)	1,236
Income tax expense	7	(210)	(814)	(782)	(1,053)
(Loss) profit for the period	8	(2,240)	(420)	(2,740)	183

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Three months ended		Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Other comprehensive income (expenses)					
Item that will not be reclassified to profit or loss:					
Exchange differences arising on translation from functional currency to presentation currency		339	(5,336)	(4,201)	(571)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(117)	377	437	(16)
Other comprehensive income (expenses) for the period		222	(4,959)	(3,764)	(587)
Total comprehensive expenses for the period		(2,018)	(5,379)	(6,504)	(404)
(Loss) earnings per share – basic (HK cents)	10	(0.32)	(0.06)	(0.39)	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
NON-CURRENT ASSETS			
Plant and equipment	11	41,797	43,850
Right-of-use assets		12,452	13,458
Intangible assets	11	54,329	51,614
Deposits paid for acquisition of plant and equipment and intangible assets		–	4,526
Rental deposits		206	561
Deferred tax assets		2,915	2,968
		111,699	116,977
CURRENT ASSETS			
Inventories		39,154	32,723
Trade and bills receivables	12(a)	72,020	107,889
Other receivables, prepayments and deposits	12(b)	5,630	3,770
Amount due from a related company	12(c)	–	8,500
Bank deposits		36,937	38,923
Bank balances and cash		19,112	12,862
		172,853	204,667
CURRENT LIABILITIES			
Trade and other payables	13	9,040	13,450
Contract liabilities		545	326
Lease liabilities	15	2,378	2,572
Deferred income		1,286	1,309
Tax payable		1,099	1,796
Bank borrowings	14	26,267	50,406
		40,615	69,859
NET CURRENT ASSETS		132,238	134,808
TOTAL ASSETS LESS CURRENT LIABILITIES		243,937	251,785



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	30.6.2020 HK\$'000 (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES			
Lease liabilities	15	12,296	12,845
Deferred income		6,718	7,513
		19,014	20,358
NET ASSETS			
		224,923	231,427
CAPITAL AND RESERVES			
Share capital	16	7,055	7,055
Reserves		217,868	224,372
TOTAL EQUITY			
		224,923	231,427

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2019 (audited)	7,055	128,115	100,000	1	(14,041)	5,776	10,222	237,128
Profit for the period	-	-	-	-	-	-	183	183
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(571)	-	-	(571)
Exchange differences arising on translation of foreign operations	-	-	-	-	(16)	-	-	(16)
Total comprehensive (expenses) income for the period	-	-	-	-	(587)	-	183	(404)
At 30 June 2019 (unaudited)	7,055	128,115	100,000	1	(14,628)	5,776	10,405	236,724
At 1 January 2020 (audited)	7,055	128,115	100,000	1	(19,058)	7,248	8,066	231,427
Loss for the period	-	-	-	-	-	-	(2,740)	(2,740)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(4,201)	-	-	(4,201)
Exchange differences arising on translation of foreign operations	-	-	-	-	437	-	-	437
Total comprehensive expenses for the period	-	-	-	-	(3,764)	-	(2,740)	(6,504)
At 30 June 2020 (unaudited)	7,055	128,115	100,000	1	(22,822)	7,248	5,326	224,923

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	25,033	(22,019)
NET CASH FROM INVESTING ACTIVITIES	4,631	15,223
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(25,143)	17,165
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,521	10,369
Effect of foreign exchange rate changes	(257)	550
CASH AND CASH EQUIVALENTS AT 1 JANUARY	51,785	15,410
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	56,049	26,329
Represented by:		
Bank deposits with original maturity of less than 3 months	36,937	18,069
Bank balances and cash	19,112	8,260
	56,049	26,329

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020



1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by Chapter 18 of the GEM Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 January 2020, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which 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 positions.

4. REVENUE AND SEGMENT INFORMATION

An analysis of revenue by major products is as follows:

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bonding wire	24,629	42,937	53,592	81,257
Encapsulant	5,982	7,026	10,873	12,275
Others	2,943	6,492	4,770	8,847
	33,554	56,455	69,235	102,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its products and its sole operating segment is the development, manufacture and sales of semiconductor packaging materials. The CODM monitors the revenue, results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies that are in accordance with HKFRSs, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

Geographical information

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

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC excluding Hong Kong	33,254	55,695	68,681	101,251
Hong Kong	300	760	554	1,128
	33,554	56,455	69,235	102,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	153	235	355	468
Government subsidy income	742	334	3,038	685
Net foreign exchange gain (losses)	590	(232)	336	(45)
Others	-	1	15	11
	1,485	338	3,744	1,119

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on bank borrowings	206	153	300	353
Interests on lease liabilities	163	199	322	409
Interests on discounted bills with recourse	138	104	175	104
	507	456	797	866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The income tax expense comprises:				
PRC Enterprise Income Tax ("EIT")	210	713	782	952
Deferred tax	-	101	-	101
	210	814	782	1,053

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate of PRC entities is 25% for both periods. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentive as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from November 2018 to November 2021.

No provision for Hong Kong Profits Tax is made in the financial statements since the relevant group entities have no assessable profits for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. (LOSS) PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<hr/>				
(Loss) profit for the period has been arrived at after charging:				
Directors' remuneration:				
Fees	90	120	200	240
Other emoluments, salaries and other benefits	684	899	1,508	1,784
Retirement benefit scheme contributions	7	19	19	38
	<hr/>		<hr/>	
	781	1,038	1,727	2,062
	<hr/>		<hr/>	
Other staff costs:				
Staff salaries and allowances	5,619	6,839	11,347	12,845
Retirement benefit scheme contributions	(16)	819	469	1,664
	<hr/>		<hr/>	
	5,603	7,658	11,816	14,509
	<hr/>		<hr/>	
Total staff costs	6,384	8,696	13,543	16,571
Capitalised in intangible assets	(508)	(1,161)	(1,399)	(2,277)
Capitalised in inventories	(1,378)	(2,446)	(2,887)	(4,597)
	<hr/>		<hr/>	
	4,498	5,089	9,257	9,697
	<hr/>		<hr/>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

	Three months ended		Six months ended	
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2019 <i>HK\$'000</i> (unaudited)
Depreciation of plant and equipment	1,935	2,042	3,916	4,106
Capitalised in intangible assets	(351)	(506)	(730)	(891)
Capitalised in inventories	(714)	(843)	(1,437)	(1,452)
	870	693	1,749	1,763
Amortisation of intangible assets	1,836	1,572	3,321	2,663
Capitalised in inventories	(1,579)	(1,251)	(3,014)	(2,289)
	257	321	307	374
Depreciation of right-of-use assets	572	990	1,255	1,601
Capitalised in intangible assets	(46)	(61)	(110)	(130)
Capitalised in inventories	(116)	(121)	(233)	(243)
	410	808	912	1,228
Auditors' remuneration	300	193	600	343
Cost of inventories recognised as cost of sales	27,138	45,347	55,948	82,461
Research and development costs (Excluding depreciation and staff costs) recognised as expenses (included in administrative expenses)	214	281	355	359
Minimum operating lease rentals in respect of rented premises	44	–	80	34

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. DIVIDENDS

The directors of the Company do not recommend the payment of interim dividend for the current interim period (six months ended 30 June 2019: nil).

10. (LOSS) EARNINGS PER SHARE

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

(Loss) earnings:

(Loss) earnings for the purpose of

basic (loss) earnings per share:

(Loss) profit for the period

attributable to owners of the

Company

	(2,240)	(420)	(2,740)	183
--	----------------	-------	----------------	-----

Number of shares:

Weighted average number of ordinary

shares for the purpose of basic

(loss) earnings per share

	705,500,000	705,500,000	705,500,000	705,500,000
--	--------------------	-------------	--------------------	-------------

No diluted (loss) earnings per share is presented for periods ended 30 June 2020 and 2019 as there is no potential ordinary shares in issue during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. MOVEMENTS IN PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current interim period, the Group acquired plant and equipment and intangible assets of HK\$2,628,000 and HK\$6,950,000 respectively (six months ended 30 June 2019: HK\$3,845,000 and HK\$6,193,000 respectively).

There was no disposal of plant and equipment during the current interim period (six months ended 30 June 2019: Nil).

12. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS AND AMOUNT DUE FROM A RELATED COMPANY

(a) Trade and bills receivables

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Trade receivables	41,710	64,771
Less: Allowance for credit losses	(2,479)	(3,562)
	39,231	61,209
Bills receivables	32,789	46,680
	72,020	107,889

The Group's trading terms with its customers are mainly on credit, except for certain customers where payment in advance is required. The credit period is generally 30 to 120 days. Each customer is granted with a credit limits. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

The following is an aged analysis of trade receivables, net of allowance for credit losses, based on the invoice date at the end of the reporting period:

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
1 – 30 days	10,819	21,380
31 – 60 days	7,231	14,714
61 – 90 days	6,693	9,735
Over 90 days	14,488	15,380
	39,231	61,209

The maturity period of bills receivables as at 30 June 2020 and 31 December 2019 were within 365 days.

(b) Other receivables, prepayments and deposits

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Value-added tax recoverable	1,422	1,637
Prepayments	745	609
Deposits	1,550	99
Other receivables	1,913	1,425
	5,630	3,770

(c) Amount due from a related company

The amount is unsecured, interest free and has no fixed repayment term.

The amount was repaid in full in March 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. TRADE AND OTHER PAYABLES

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Trade payables	5,742	7,023
Accrued expenses	2,752	5,890
Other payables	546	537
	9,040	13,450

The trade suppliers either require cash on delivery from the Group or allow credit period ranging from 7 days to 90 days to the Group. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
1 – 30 days	4,026	5,373
31 – 60 days	739	881
61 – 90 days	623	334
Over 90 days	354	435
	5,742	7,023

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. BANK BORROWINGS

The exposure of the Group's bank borrowings are as follows:

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Fixed-rate bank borrowings	16,507	34,909
Variable-rate bank borrowings	9,760	15,497
	26,267	50,406

The Group's variable-rate bank borrowings carried interests from 2.80% to 3.05% over Hong Kong Interbank Offered Rate ("**HIBOR**") per annum (31 December 2019: 2.8% over HIBOR per annum) quoted by certain banks in Hong Kong and were repayable on demand.

The Group's fixed-rate bank borrowings carried interests from 2.66% to 4.5% per annum (31 December 2019: 4.04% per annum).

15. LEASE LIABILITIES

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Current	2,378	2,572
Non-current	12,296	12,845
	14,674	15,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	2,000,000,000	20,000
Issued and fully paid:		
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	705,500,000	7,055

17. CAPITAL COMMITMENTS

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– intangible assets	852	2,530
– plant and equipment	449	708
	1,301	3,238



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specialising in the development, manufacture, and sales of the bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC. During the six months ended 30 June 2020 (the “**Period**”), the Group continued to sell its products directly to more than 400 customers, including renowned manufacturers of LEDs, camera modules, and ICs primarily in the PRC.

During the Period, due to the unprecedented novel coronavirus (“**COVID-19**”) pandemic, the economic activities and demand of semiconductors slowed down globally. Unavoidably, the demand of the export of semiconductor packaging materials of the Group’s customers declined notably, which has affected the Group’s sales orders and production during the Period. As a result, the Group’s revenue and gross profit decreased by approximately 32.4% and approximately 33.3% respectively as compared with the six months ended 30 June 2019 (“**1H2019**”).

To reduce the impact of COVID-19 and macroeconomic uncertainties against the Group, the Group has taken various cost control measures and adopted flexible business strategies, to ensure the continuous development of the Group. Further, the Group has endeavoured and will endeavour to maintain its expenses, including administrative expenses at a low level. During the Period, the Group has continued to focus on the innovation of semiconductor packaging materials for advanced semiconductors, aiming to capture the opportunities to be generated from the expected market recovery.

FINANCIAL OVERVIEW

Revenue

The Group’s revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Period, the Group recorded a revenue of approximately HK\$69.2 million, decreased by 32.4% from approximately HK\$102.4 million recorded in 1H2019. The revenue of encapsulant products recorded a decrease of 11.4% to approximately HK\$10.9 million during the Period (1H2019: approximately HK\$12.3 million). The revenue of bonding wire products recorded a decrease of 34.0% to approximately HK\$53.6 million during the Period (1H2019: approximately HK\$81.3 million). The decrease in the revenue of both bonding wire and encapsulant products was due to the customer’s delay in purchase of our products due to the outbreak of COVID-19 during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and gross profit

The Group's cost of sales mainly comprised direct material costs, direct labor costs, and manufacturing overhead. During the Period, the Group's cost of sales decreased by 32.2% to approximately HK\$55.9 million (1H2019: approximately HK\$82.5 million), which was in line with the decrease in revenue. The gross profit of the Group decreased by 33.3% to approximately HK\$13.3 million for the Period (1H2019: approximately HK\$19.9 million). The gross profit margin was approximately 19.2% for the Period (1H2019: 19.5%).

Other income, other gains and losses

Other income, other gains and losses of approximately HK\$3.7 million were recorded during the Period (1H2019: approximately HK\$1.1 million). The increase was mainly due to a one-off government subsidy income of approximately HK\$2.0 million was received by a PRC subsidiary as a granting support respect of unemployment insurance to enterprises for stabilizing employment during the Period.

Expenses

Selling and distribution expenses amounted to approximately HK\$4.6 million for the Period (1H2019: approximately HK\$5.9 million). The decrease was mainly due to the decrease in freight and travelling expenses as a result of the decrease in sales volume.

Administrative expenses for the Period remained at approximately HK\$12.9 million (1H2019: approximately HK\$12.8 million).

(Loss) profit and other comprehensive income (expenses) for the Period

Summing up the combined effects of the foregoing, the loss attributable to owners of the Company for the Period was approximately HK\$2.7 million (1H2019: profit of approximately HK\$0.2 million).



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGIES AND PROSPECTS

In the rest of the year, the global economy is expected to face the uncertainties aroused by COVID-19 and the growing tension between the PRC and the U.S. However, the Directors remain confident about the industry and the Group's future development. As the impact of the pandemic diminishes gradually, especially with the effective control in the PRC, the demand of semiconductors is expected to be back on its growing trend soon, which is also driven by the 5G, artificial intelligence, automotive and micro LED products. The expected recovery of semiconductor industry will also drive the demand of semiconductor packaging related encapsulants, which will return to normal level progressively. To seize the opportunities of the expected market recovery, the Group is taking various measures to equip itself and enhance its competitive strengths in the market.

Despite the challenges, the Group's forerunner product, liquid molding epoxy for mini-LED has commenced mass production for several notable RGB display LED packaging companies. This product is expected to make great contribution to the Group's revenue. Moreover, as the fast-growing 5G industry is driving the demand for advanced semiconductors, the Group devotes itself on continuously enhancing its R&D capabilities so as to develop cutting-edge and high-quality packaging materials for various customers so as to gain more market share and leverage the Group's innovation and development capability.

Besides, three series of new products of die attach adhesive, namely insulative Epoxy Based Adhesive, insulative Silicon Based Adhesive and Electrical Conductive Silver Adhesive are being launched for LED applications, and will be extended to other semiconductors and 5G industries after certain formula adjustment. The Group is also vigorously developing a new household LED packaging material, which is more cost-effective for the market. The Directors believe these new products will become another growth momentum for the Group in the future.

Looking ahead, the Group will continue to develop advanced semiconductor packaging materials and enrich its product mix to catch the opportunities arising from the expected market recovery. The Directors believe that the Group's flexible business strategies and competitive strengths would allow the Group to sustain business growth in long run.



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES MANAGEMENT

As at 30 June 2020, the Group employed 182 full-time employees (as at 31 December 2019: 217). The remuneration of employees is disclosed in note 8 to the unaudited condensed consolidated financial statements. The Group's remuneration policy is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continuous professional development opportunities according to their needs. The Group also adopted a share option scheme to reward individual staff for their contribution to the Group.

FINANCIAL RESOURCES, LIQUIDITY, GEARING RATIO AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowing. The Group recorded net current assets of approximately HK\$132.2 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$134.8 million). As at 30 June 2020, the Group's current ratio was approximately 4.3 (as at 31 December 2019: approximately 2.9) and the Group's gearing ratio calculated based on the total borrowings divided by total equity at the end of the Period was approximately 11.7% (as at 31 December 2019: approximately 21.8%). As at 30 June 2020, the Group's bank borrowings amounted to approximately HK\$26.3 million (as at 31 December 2019: approximately HK\$50.4 million). As at 30 June 2020, the Group has total bank facilities of HK\$109.8 million (as at 31 December 2019: HK\$114.5 million).

As at 30 June 2020, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$224.9 million (as at 31 December 2019: approximately HK\$231.4 million), which comprised issued share capital and reserves. The Shares were listed on the GEM on 30 May 2018. There has been no change in the capital structure of the Group since then.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group does not have other plans for material investments and capital assets during the Period.

SIGNIFICANT INVESTMENTS HELD

During the Period, the Group did not hold any significant investments.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that all the major risk factors relevant to the Group have already been disclosed in the section headed “Risk factors” of the Company’s prospectus dated 17 May 2018 (the “**Prospectus**”). Please refer thereto for more information.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group’s income, cost of sales, administrative expenses, investment and borrowings are mainly denominated in United State Dollar, HK\$ and RMB. Fluctuations of the exchange rates of RMB could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the Period. The Group currently does not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will take prudent measure to minimise the currency translation risk. The Group will consider hedging significant foreign currencies should the need arise.

CHARGES ON ASSETS

There was no significant pledge on the Group’s assets as at 30 June 2020 (as at 31 December 2019: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (1H2019: nil).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities or guarantees (as at 31 December 2019: nil).

SEGMENT INFORMATION

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

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period for the Group to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress for the period from the listing date (i.e. 30 May 2018) (the "Listing Date") to 30 June 2020.

Business objectives and business plan stated in Prospectus

Actual business progress up to 30 June 2020

Expand production capacity and upgrade manufacturing facilities

- Acquire machineries and equipment and upgrade manufacturing facilities for new production lines

The Group upgraded and expanded the G&S bonding wire production line during the second quarter of 2019, which commenced trial run during the second half of 2019.

- Acquire machineries and equipment for quality control

The Group acquired and installed certain equipment to enhance the quality control over the production process and finished products' inspection for both bonding wire and encapsulant products.

Devote R&D resources

- Acquire machineries and equipment for R&D enhancement

The Group had purchased certain machineries and equipment for the improvement of existing R&D facilities.



MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives and business plan stated in Prospectus

Actual business progress up to 30 June 2020

- Engage external consultants for R&D projects

The Group had engaged an assistant professor from Anhui University of Technology as the R&D consultant to assist in the R&D activities for the new encapsulant projects. The Group also had engaged two professors from National Cheng Kung University (Taiwan) and an expert in metal materials as the R&D consultants to assist in the R&D activities of the Group for the new bonding wire projects.

Increase sales and marketing activities

The Group attended SEMICON China Exhibition 2019 in Shanghai organised by SEMI and CECC in March 2019. The Group also engaged a public relations advisor to perform branding and digital marketing work.

General working capital

The Group relocated its headquarter to Hong Kong Science Park and hired R&D expert and related personnel after its Shares were listed on GEM on 30 May 2018 (the “Listing”). Additional working capital was required as a result of increase in production capacity.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing received by the Company were approximately HK\$83.5 million (after deduction of Listing expenses). The net proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus. During period from the Listing Date to 30 June 2020, the net proceeds had been utilised as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Business objective as stated in the Prospectus	Actual net proceeds from the Listing HK\$ million	Amount utilised up to 30 June 2020 HK\$ million	Balance as at 30 June 2020 HK\$ million	Expected timeline for utilising the remaining unused net proceeds (Note 1)
Expand production capacity and upgrade manufacturing facilities				
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	41.9	10.4 ^(Note 2)	31.5	From 1.7.2020 to 31.12.2020
– Acquire machineries and equipment for quality control	3.4	3.4	–	–
Devote R&D resources				
– Acquire machineries and equipment for R&D enhancement	19.5	8.2	11.3	From 1.7.2020 to 31.12.2020
– Engage external consultants for R&D projects	5.9	1.3	4.6	From 1.7.2020 to 31.12.2020
Increase sales and marketing activities	5.9	2.7	3.2	From 1.7.2020 to 31.12.2020
General working capital	6.9	6.9	–	–
Total	83.5	32.9	50.6	

As at 30 June 2020, approximately HK\$32.9 million out of the net proceeds from the Listing had been used. The majority of the unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

Notes:

1. The expected timeline for utilising the remaining unused net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.
2. The amount utilised up to 30 June 2020 has been adjusted downward from the disclosure in the 2019 Interim Report as a result of certain technical support services fees having been recharged to a related company.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the Directors and chief executives 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 are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Long positions in the Shares

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

Notes:

- As at 30 June 2020, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- Niche-Tech Investment Holdings Limited is indirectly owned as to 40% by Mr. Chow and 60% by Professor Chow. By virtue of SFO, Mr. Chow and Professor Chow are deemed to be interested in the Shares held by Niche-Tech Investment Holdings Limited.

OTHER INFORMATION

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

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

Notes:

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

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executives of the Company had or was deemed to have any other interests and short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.



OTHER INFORMATION

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

So far as is known to the Directors, as at 30 June 2020, the persons (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

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



OTHER INFORMATION

Notes:

- (1) As at 30 June 2020, the Company's issued ordinary share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited and is therefore deemed to be interested in the 357,000,000 Shares held by Niche-Tech Investment Holdings Limited for the purpose of the SFO.
- (3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested in for the propose of the SFO.
- (4) Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Mr. Chow is interested in for the propose of the SFO.
- (5) Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "**Scheme**") adopted on 8 May 2018 for the primary purpose of providing incentives to eligible persons including directors, eligible employees, consultants or advisers of the Group. The Directors, employees, consultants or advisers of the Group may, at the discretion of the Directors, be granted options (the "**Options**") to subscribe for Shares in the Company at a price determined by its Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant of the Options.



OTHER INFORMATION

Without prior approval from the Company's shareholders, the total maximum number of Shares in respect of which Options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at the time dealing in the Shares first commenced on the Stock Exchange which amounted to 68,000,000 Shares, representing not more than 10% of the Shares in issue as at the date of this report. The maximum number of Shares in respect of which Options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time.

Unless terminated by resolution in general meeting, the Scheme will remain in force for a period of ten years from the date of the listing of the Shares on the Stock Exchange. Options granted must be taken up not later than 30 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of the Options.

The exercisable period of the Options, which shall not exceed 10 years from the date of grant, is determined by the Board at their discretion.

No Options have been granted by the Company under the Scheme since its adoption date and up to the date of this report. Therefore, no share Options lapsed or were exercised or cancelled during the Period and there were no outstanding share Options as at 30 June 2020.

COMPETING INTERESTS

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

INTEREST OF THE COMPLIANCE ADVISER

As at 30 June 2020, as notified by Titan Financial Services Limited ("**Titan**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Titan dated 1 September 2017 in connection with the Listing, none of Titan or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group or in the share capital of the Company or any member of the Group, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.



OTHER INFORMATION

CODE OF CORPORATE GOVERNANCE PRACTICES

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

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

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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



OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an audit committee of the Board (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules and code provisions C.3.3 of the Code set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The members of the Audit Committee include three independent non-executive Directors, namely Mr. Poon Lai Yin Michael, Professor Ng Wang Wai Charles and Mr. Tai Chun Kit. Mr. Poon Lai Yin Michael is the chairman of the Audit Committee.

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

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix

Executive Chairman and Executive Director

Hong Kong, 10 August 2020

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

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