



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

2021
Third Quarterly
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.

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) (*Chairman*)
Wei Hung-Li (魏弘麗)
Lin Yen-Po (林衍伯)
Hsiao Hsi-Mao (蕭錫懋)

Independent non-executive Directors:

Kam, Eddie Shing Cheuk (甘承倬)
Cheng Chun Shing (鄭鎮昇)
Ho Pak Chuen Brian (何百全)

AUDIT COMMITTEE

Cheng Chun Shing (鄭鎮昇) (*Chairman*)
Kam, Eddie Shing Cheuk (甘承倬)
Ho Pak Chuen Brian (何百全)

REMUNERATION COMMITTEE

Kam, Eddie Shing Cheuk (甘承倬) (*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, Eddie Shing Cheuk (甘承倬)
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)
Kam, Eddie Shing Cheuk (甘承倬)
Cheng Chun Shing (鄭鎮昇)
Ho Pak Chuen Brian (何百全)

AUDITORS

PricewaterhouseCoopers

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE IN TAIWAN

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Yuen Wing Yan, Winnie (袁穎欣), FCG, FCS

COMPLIANCE OFFICER

Wei Hung-Li (魏弘麗)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

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

CORPORATE INFORMATION (continued)

PRINCIPAL BANKERS

Hang Seng Bank

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

Chang Hwa Commercial Bank (Jhubei Branch)

1F., No. 26-3, Taiyuan St.
Zhubei City, Hsinchu County 30288
Taiwan

First Commercial Bank (Tung-Men Branch)

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

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

<http://www.genestech.com>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Many countries have launched vaccination programme and gradually moved towards economic normalisation. Although the trend of the pandemic is still uncertain, international manufacturing activities are gradually resumed. Production and trading activities continue to expand, together with the support of large-scale revitalisation policies of major economies, the global economic recovery in 2021 is stronger than expected. The global economy is on the way of recovery. Besides, inventories are actively replenished in the semiconductor industry, and the increase in demand for semiconductor products in downstream fields such as communication, information, consumer electronics, industry and automotive electronics, resulting in the tension on global semiconductor demand and supply in 2021. The shortage of semiconductor chips has become the new normal of the global industry, and the imbalance between demand and supply is not expected to be alleviated until 2022. The shortage of some products is expected to continue until even 2023. According to the prediction of World Semiconductor Trade Statistics (WSTS), the global production value of semiconductors will reach US\$551 billion in 2021, representing a year-on-year increase of 25.1% as compared with that of 2020. Even though Taiwan's supply chain had been affected by the deterioration of COVID-19 pandemic in mid-May 2021, Industrial Technology Research Institute of Taiwan still raised the forecast of the production value of semiconductor industry in Taiwan in 2021 to NTD4.02 trillion (approximately US\$135.8 billion), representing an increase of 24.7% as compared to 2020. In response to changes in the market environment, the Group will actively seize the development opportunities, and is committed to taking advantage of the research and development of investment products and technological upgrades in order to enhance the core competitiveness of the Group.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used Semiconductor Manufacturer Equipment (SME) and parts in Taiwan, mainly engaging in providing turnkey solution of used SME and parts to customers, and modifying and/or upgrading the semiconductor equipment of their production systems according to customers' needs. In addition, the Group also engages in the trading of SME and parts. For the nine months ended 30 September 2021, the total revenue of the Group amounted to approximately NTD1,190.30 million (corresponding period in 2020: NTD1,188.60 million). Total comprehensive income attributable to owners of the Company amounted to approximately NTD80.99 million (corresponding period in 2020: approximately NTD116.98 million). Basic earnings per share were approximately NTD8.10 cents (corresponding period in 2020: approximately NTD11.37 cents).

TURNKEY SOLUTIONS

During the period under review, turnkey solutions were still the major revenue source for the Group. The used SME and parts supplied by the Group included furnaces, clean tracks and other related items, which were used at the front-end of the semiconductor manufacturing process, 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.

For the nine months ended 30 September 2021, the revenue from turnkey solution of the Group amounted to approximately NTD771.40 million (corresponding period in 2020: approximately NTD834.34 million), accounting for approximately 64.81% of the Group's total revenue.

TRADING OF SME AND PARTS

During the period under review, the revenue of the Group amounted to approximately NTD418.90 million (corresponding period in 2020: approximately NTD354.25 million) from the trading of SME and parts, representing an increase of approximately 18.25% as compared to the corresponding period last year and accounting for approximately 35.19% of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

For the nine months ended 30 September 2021, the total revenue of the Group amounted to approximately NTD1,190.30 million (corresponding period in 2020: approximately NTD1,188.60 million). During the period under review, the revenue from the business of turnkey solution and trading of SME and parts amounted to approximately NTD771.40 million (Corresponding period in 2020: approximately NTD834.34 million) and NTD418.90 million (Corresponding period in 2020: approximately NTD354.25 million) respectively.

During the period under review, revenue from the domestic business in Taiwan accounted for approximately 55.63% of the Group's total revenue. Production of semiconductors in some countries suspended due to the impact of COVID-19 and they transferred their orders to Taiwan. Moreover, the relation between the US and China continues to be tense, semiconductor manufacturers in some countries have gradually turned to seek cooperation with Taiwanese suppliers. The Group will make good use of the market opportunities to actively develop and reinforce its good and close relationship with existing international customers, which will in turn enable its revenue from operations in Singapore, South Korea and Japan during the period to increase by 286.48% compared to the corresponding period last year and to account for approximately 12.97% of its total revenue.

During the period under review, the gross profit of the Group amounted to approximately NTD276.43 million (Corresponding period in 2020: approximately NTD302.35 million), while the gross profit margin was approximately 23.22% (Corresponding period in 2020: approximately 25.44%). Because of the deterioration of COVID-19 in Taiwan in mid-May 2021, overall gross profit margin has slightly decreased as a result of the delay in supply chain.

For the nine months ended 30 September 2021, total comprehensive income attributable to owners of the Company amounted to approximately NTD80.99 million (Corresponding period in 2020: approximately NTD116.98 million), while basic earnings per share amounted to approximately NTD8.10 cents (Corresponding period in 2020: approximately NTD11.37 cents).

OUTLOOK

Benefiting from long-distance business opportunities, continued strong demand for residential economy, the on-going application of 5G, high performance computing (HPC), Internet of Things ("IoT"), artificial intelligence (AI), virtual reality (VR) and other new technology, new applications in the automotive and industrial markets, as well as the launch of new products by major international consumer electronics manufacturers, the shipment of global terminal electronic products has been driven. Affected by the replenishment of inventory on the demand side, demand and supply of semiconductors continued to be tight. SEMI, Gartner, IC Insights, IDC and other research institutions were optimistic that the shipment of global semiconductor equipment could still maintain strong growth in the second half of the year, and raised the sales forecast of the global semiconductors for 2021. According to the latest shipment report from International Semiconductor Industry Association (SEMI), the shipment amount of semiconductor equipment manufacturers in North America was USD3.86 billion in July 2021, representing an increase of 4.5% as compared to the final figure of USD3.69 billion in June 2021, and an increase of 49.8% as compared to USD2.57 billion in the corresponding period of 2020. According to the industry report of American Semiconductor Industry Association (SIA), the sales of the global semiconductor industry reached US\$47.2 billion in August 2021, representing a record high and a year-on-year increase of 29.7% and an increase of 3.3% compared to July 2021, which indicate the continued strong momentum of semiconductor sales in the second half of the year. Gartner also uplifted the global production value of semiconductors to US\$570.8 billion in 2021, representing a growth rate of 22.4%, and is expected to exceed US\$600 billion in 2022. World Semiconductor Trade Statistics (WSTS) also revised upwards its forecast. It is expected that the global production value of semiconductors will reach US\$551 billion in 2021, representing a year-on-year increase of 25.1% as compared to 2020. IC Insights also raised its forecast of sales growth in the overall semiconductor market to 24% for 2021, which exceeds US\$500 billion, and the average annual compound growth rate (CAGR) of the IC market from 2020 to 2025 was also raised to 10.7%. According to the statistics of Industrial Technology Research Institute of Taiwan, the production value of semiconductor industry in Taiwan is expected to reach NTD1,053.8 billion in the third quarter of 2021, representing an increase of approximately 22% as compared with the corresponding period in 2020. Meanwhile, it is also expected that the semiconductor industry in Taiwan will possibly reach NTD4.02 trillion in 2021, representing an increase of 24.7% as compared to 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Meanwhile, the continuous tension on demand and supply of semiconductors has driven many countries to try to develop their capabilities to manufacture semiconductors independently. The previous production pattern of the semiconductor industry has changed. Many countries consider the capability of producing semiconductors in a certain degree as national security. The United States, the European Union, South Korea, Japan, Mainland China, and even Southeast Asia have introduced their supporting policies on developing in semiconductor industry and actively invested in the field of semiconductor industry. SEMI estimates that the investment in semiconductor equipment by global wafer factories in 2022 will reach approximately US\$100 billion, which will hit a new record for three consecutive years. Among them, the investment in semiconductor equipment in Taiwan is approximately US\$26 billion, second only to South Korea. The Group is principally engaged in modifying and/or upgrading the semiconductor equipment of production systems according to customers' needs as well as providing turnkey solutions so that customers can expand their semiconductor production capacity at a lower cost. The directors believe that this will bring new business opportunities for the business of the Group in the future. We shall closely monitor the changes in market environment and respond prudently and quickly to market changes for development opportunities, aiming at assiduously exploring new business opportunities. At the same time, the Group will also increase its efforts in talent exploration, strengthen its innovation and R & D capabilities, and improve the core competitiveness of the Group and create long-term value for shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the nine months ended 30 September 2021. The Group's primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 30 September 2021, the borrowings of the Group totalled approximately NTD636.75 million (31 December 2020: approximately NTD739.12 million). As at 30 September 2021, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 58.06% (31 December 2020: 83.49%).

CHARGE ON ASSETS

As at 30 September 2021, 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 NTD268.24 million (31 December 2020: approximately NTD271.62 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 September 2021, the Group did not have any significant capital commitments (31 December 2020: Nil). As at 30 September 2021, the Group did not have any significant contingent liability (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

HUMAN RESOURCES

As at 30 September 2021, the Group employed approximately 255 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: 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 September 2021, 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 Directors	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner	27,975,000	2.79%
	Interest in persons acting in concert (Note)	654,075,000	65.41%
		682,050,000	68.20%
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner	19,125,000	1.91%
	Interest in persons acting in concert (Note)	662,925,000	66.29%
		682,050,000	68.20%
Mr. Lin Yen-Po ("Mr. Lin")	Beneficial owner	1,200,000	0.12%
	Interest in persons acting in concert (Note)	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. Lin and former director Mr. Fan Chiang-Shen, 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 September 2021, 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 September 2021, 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 shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Queenbest Development Limited ("Queenbest") (Note 1)	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited ("Ever Wealth") (Note 2)	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited ("Planeta") (Note 3)	Beneficial interest	63,750,000	6.38%
Tai-Yi Investment Co. Ltd. ("Tai Yi") (Note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (Note 5)	570,750,000	57.07%
		682,050,000	68.20%
Mr. Fan Chiang-Shen ("Mr. Fan")	Beneficial owner	2,925,000	0.29%
	Interest in persons acting in concert (Note 5)	679,125,000	67.91%
		682,050,000	68.20%
Mr. Chen Yuan-Chi ("Mr. Chen") (Note 6)	Interest of a controlled corporation	682,050,000	68.20%
Double Solutions Limited ("Double Solutions") (Note 7)	Beneficial interest	67,950,000	6.80%
Ms. Chan Suk Sheung Rembi ("Ms. Chan") (Note 8)	Interest of a controlled corporation	67,950,000	6.80%

OTHER INFORMATION (continued)

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the "BVI"). As at the date of this report, it was held by 35 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Lin was interested in approximately 5.1% and former director Mr. Fan was interested in approximately 10.7% 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 0.01% to 8.0%.
- (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. Lin was interested in approximately 17.8% and former director Mr. Fan was interested in approximately 10.7% of its shareholding. The other shareholders were mainly employees and ex-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. Lin and former director Mr. Fan 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 September 2021, 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 nine months ended 30 September 2021 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 nine months ended 30 September 2021 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 September 2021, 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 1 January 2021 to 30 September 2021.

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 2021 to 30 September 2021.

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, Eddie Shing Cheuk 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 third quarterly results of the Group for the nine months ended 30 September 2021 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2021, third quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results 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 2021 to 30 September 2021, 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, 11 November 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)
Revenues	4	381,626	345,257	1,190,301	1,188,597
Cost of sales	5	(286,693)	(268,842)	(913,867)	(886,247)
Gross profit		94,933	76,415	276,434	302,350
Other income		994	7,669	1,013	7,782
Other (losses)/gains, net		2,124	(4,265)	799	1,693
Selling and distribution expenses	5	(7,411)	(7,453)	(19,401)	(20,448)
General and administrative expenses	5	(40,110)	(41,425)	(131,665)	(123,275)
Net impairment losses on financial assets	5	–	–	(6,535)	–
		50,530	30,941	120,645	168,102
Finance income		14	18	72	99
Finance costs		(3,000)	(3,144)	(9,379)	(11,152)
Profit before income tax		47,544	27,815	111,338	157,049
Income tax expense	6	(13,244)	(10,061)	(30,377)	(43,315)
Profit for the period attributable to owners of the Company		34,300	17,754	80,961	113,734
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		113	2,858	28	3,242
Total comprehensive income for the period attributable to owners of the Company		34,413	20,612	80,989	116,976
Earnings per share					
Basic and diluted (NTD cents)	7	3.43	1.78	8.10	11.37

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Share capital NTD'000	Share premium NTD'000	Statutory reserve NTD'000	Other reserve NTD'000	Exchange reserve NTD'000	Retained earnings NTD'000	Total equity NTD'000
At 1 January 2020 (audited)	38,815	146,571	56,616	182,226	(2,966)	204,976	626,238
Profit for the period	-	-	-	-	-	113,734	113,734
Other comprehensive income	-	-	-	-	3,242	-	3,242
Total comprehensive income for the period	-	-	-	-	3,242	113,734	116,976
Transfer to statutory reserve	-	-	30,292	-	-	(30,292)	-
At 30 September 2020 (unaudited)	38,815	146,571	86,908	182,226	276	288,418	743,214
At 1 January 2021 (audited)	38,815	146,571	86,908	182,226	(3,353)	318,885	770,052
Profit for the period	-	-	-	-	-	80,961	80,961
Other comprehensive income	-	-	-	-	28	-	28
Total comprehensive income for the period	-	-	-	-	28	80,961	80,989
Transfer to statutory reserve	-	-	29,110	-	-	(29,110)	-
At 30 September 2021 (unaudited)	38,815	146,571	116,018	182,226	(3,325)	370,736	851,041

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

These condensed consolidated financial information for the nine months ended 30 September 2021 has been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with HKFRSs issued by the HKICPA.

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

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

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, 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 2021. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and
HKFRS 16 (Amendments)

Interest rate benchmark reform

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

4 REVENUE AND SEGMENT INFORMATION

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)
Provision of turnkey solution	213,085	233,342	771,398	834,343
Manufacturing and trading of used semiconductor manufacturing equipment and parts	168,541	111,915	418,903	354,254
Revenue recognised at a point in time	381,626	345,257	1,190,301	1,188,597

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)
Taiwan (place of domicile)	258,713	243,737	662,201	721,702
PRC	58,622	50,254	295,738	281,154
Singapore	11,979	3,306	149,869	39,297
United States	52,248	47,714	77,969	144,910
South Korea	45	–	4,005	–
Japan	19	139	519	652
Other countries	–	107	–	882
Revenue recognised at a point in time	381,626	345,257	1,190,301	1,188,597

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

4 REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)
Customers				
A	86,535	47,810	185,692	172,308
B	57,995	107,889	167,844	205,121
C	47,504	N/A*	159,363	N/A*
D	N/A*	14,966	N/A*	154,352
E	N/A*	45,296	N/A*	142,164

5 EXPENSES BY NATURE

	Three months ended 30 September		Nine months ended 30 September	
	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)	2021 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)
Auditors' remuneration				
— Audit services	2,417	2,341	7,285	7,139
— Non-audit services (note (a))	—	—	—	1,935
Cost of materials used	224,070	203,845	715,247	695,295
Amortisation of intangible assets (note (b))	2,892	2,523	8,674	7,516
Depreciation of property, plant and equipment (note (c))	4,866	4,086	14,323	11,309
Depreciation of right-of-use assets (note (c))	2,933	2,712	9,233	7,907
Research expense	325	311	1,059	838
Provision for warranty, net	6,940	5,660	25,372	24,612
Commission	3,506	3,715	14,704	8,915
Provision for impairment loss on trade receivables	—	—	6,535	—
Employee benefit expenses	57,300	57,782	184,935	170,097
Professional fees	3,126	6,140	10,833	23,637
Operating lease payments	840	331	2,071	991
Delivery charges	2,977	4,795	11,350	14,651
Travelling	5,392	5,658	14,583	10,198
Insurance	4,991	5,241	17,629	16,196
Entertainment	698	535	1,428	1,433
Utilities	1,448	631	3,108	2,138
Advertising	2,112	1,873	2,112	2,371
Others	7,381	9,541	20,987	22,792

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

5 EXPENSES BY NATURE (Continued)

Notes:

- (a) Non-audit services for the nine months ended 30 September 2020 represent the services provided by the Company's auditor for the proposed transfer from GEM to Main Board of the Stock Exchange.
- (b) Amortisation of intangible assets is included in "General and administrative expenses".
- (c) Depreciation of property, plant and equipment and right-of-use assets are included in "Cost of sales" and "General and administrative expenses" amounting to approximately NTD9,534,000 (30 September 2020: NTD7,006,000) and NTD14,022,000 (30 September 2020: NTD12,210,000), respectively, for the period.

6 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (30 September 2020: 23.6%).

7 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD 80,961,000 (30 September 2020: approximately NTD113,734,000) and the weighted average of 1,000,000,000 (30 September 2020: 1,000,000,000) shares in issue during the period.

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	34,300	17,754	80,961	113,734
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (NTD cents per share)	3.43	1.78	8.10	11.37

(b) Diluted

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

8 DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).