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

Annual Report 2021

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.

This Annual Report is printed on environmentally friendly paper

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) *(Chairman)*
Wei Hung-Li (魏弘麗)
Fan Chiang-Shen (范強生) (also known as Johnson Fan)
(resigned on 1 July 2021)
Lin Yen-Po (林衍伯)
Hsiao Hsi-Mao (蕭錫懋) (appointed on 1 July 2021)

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)
Fan Chiang-Shen (范強生) (resigned on 1 July 2021)
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 (袁頴欣), FCG, HKFCG

COMPLIANCE OFFICER

Wei Hung-Li (魏弘麗)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
21/F, 83 Des Voeux Road
Central, Hong Kong

Chang Hwa Commercial Bank (Jhubei Branch)
1F., No. 26-3, Taiyuan St.
Zhubei City, Hsinchu County 302082
Taiwan

First Commercial Bank (Dongmen Branch)
No. 216, Dongmen Street
North District, Hsinchu City 300
Taiwan

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

http://www.genestech.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Group, I am pleased to present this annual report for the year to our Shareholders.

Global economic activities have gradually resumed in the second half of 2020 following the launch of the novel coronavirus pneumonia (COVID-19) vaccination programme in various countries, and the global economic recovery in 2021 was stronger than expected. The economic recovery has driven the semiconductor industry to actively replenish inventory, the digital transformation of the overall economy has accelerated, and the demand for semiconductor products in upstream and downstream communication, information, consumer electronics, industry, automotive electronics and other fields has surged, resulting in a high level of global supply shortage for semiconductors in 2021, where the shortage of semiconductor chips has become a new normal for global industries, and it is expected that the supply and demand imbalance will not be eased until 2022 at the earliest. According to the report of IC Insights, a market research and survey agency, the global semiconductor production value reached USD613 billion in 2021, representing a year-on-year increase of 26%, and is expected to reach USD680.6 billion in 2022, representing a year-on-year increase of 11%. The World Semiconductor Trade Statistics Organization (WSTS) also estimated that global semiconductor revenue will exceed USD600 billion and reaching USD601.49 billion in 2022, with an annual growth rate of 8.8%. According to the data from the Taiwan Industrial Technology Research Institute, the semiconductor production value in Taiwan reached NTD4.08 trillion in 2021, representing a year-on-year increase of 26.7%. It is estimated that the semiconductor production value in Taiwan will exceed NTD4.8 trillion in 2022, representing a year-on-year increase of 17.7%, and will achieve double-digit growth in production value for three consecutive years from 2020 to 2022.

On the other hand, the COVID-19 pandemic and the geopolitical tensions continued, which drove various countries to try to achieve autonomy in semiconductors, and introduced semiconductor support policies to actively build a local independent manufacturing chain, while major technology and electronics manufacturers around the world also actively diversify suppliers and production locations to avoid excessive concentration risks, which leads to the restructuring of global supply chains. According to SEMI, the global total sales volume of semiconductor manufacturing equipment is expected to reach a new high of USD114 billion in 2022. The Taiwan National Development Council also expects that the Taiwan Semiconductor Industry Programme (台灣半導體業者計劃) planned investment in the semiconductor sector will exceed NTD3 trillion by 2025, which will bring new business opportunities to the Group in the future. The Group will pay close attention to the changes in the market environment, respond to market changes in a prudent and prompt manner to seize development opportunities, and actively explore market development opportunities. The Group will also strengthen its innovation and R&D capabilities, enhance its core competitiveness, and create long-term shareholder value.

For the year ended 31 December 2021, the total revenue of the Group amounted to approximately NTD1,497.33 million. Total comprehensive income attributable to owners of the Company amounted to approximately NTD74.65 million, with basic earnings per share amounted to NTD7.94 cents.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our valued customers, suppliers and business partners for their continuous support. I would also like to express my sincere gratitude to my fellow Directors for their wise insight and active participation, as well as to the management team for their unremitting efforts and determination.

Chairman
Yang Ming-Hsiang

28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2021, the global economic activities resumed and continued to expand followed the COVID-19 pandemic and the consumption recovered strongly, which drove the strong demand for the semiconductor industry in downstream communication, information, consumer electronics, industrial, automotive electronics and other fields; meanwhile, the overall economy is heading towards digital transformation, which drives the application development of semiconductors. With the rise of the end application markets such as 5th generation mobile communication technology (5G) peripheral applications, high performance computing (HPC), artificial intelligence (AI), Internet of Things ("IoT"), virtual reality (VR), automotive electrification, new energy vehicles and Metaverse, the amount of semiconductors consumed will increase significantly, driving the continuous increase in demand for semiconductors. On the other hand, during the global COVID-19 pandemic in 2020, the restrictions on logistics and flow of people, as well as the continuous geopolitical tensions, have hindered the operations and capacity expansion of the semiconductor industry. The market expects that the production capacity expansion of semiconductor industry will not be released until 2023 at the earliest. Under the increase in demand and limited supply, there is a high level of global supply shortage for semiconductors in 2021, and the imbalance between supply and demand is expected to be alleviated by 2022 at the earliest. According to SEMI, the global sales volume of semiconductors reached a record high of USD555.9 billion in 2021, representing a year-on-year increase of 26.2%, and the output reached a record high of 1.15 trillion pieces.

The semiconductor supply chain has been affected to a certain extent by the resurgence of COVID-19 in Taiwan since mid-May 2021. However, according to the data from Taiwan Industrial Technology Research Institute quoted by the Taiwan Semiconductor Industry Association (TSIA), the production value of Taiwanese semiconductor industry reached NTD4.08 trillion in 2021, representing an increase of 26.7% as compared to 2020, accounting for approximately 26.2% of the global production value of semiconductors. It is estimated that the production value of the semiconductor industry in Taiwan will exceed NTD4.8 trillion by 2022, representing a year-on-year growth rate of 17.7%. The Group will closely monitor the changes in the market environment, adopt proactive strategies, and respond to market changes in a prudent and prompt manner to further consolidate its market position.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used SME (Semiconductor Manufacturer Equipment) and parts in Taiwan, mainly engaging in providing turnkey solutions for used SME and parts for customers, and modifying and/or upgrading the semiconductor equipment of its production systems according to customers' needs. In addition, the Group also engages in the trading of SME and parts. For the year ended 31 December 2021, the total revenue of the Group amounted to approximately NTD1,497.33 million (2020: approximately NTD1,497.83 million). Total comprehensive income attributable to owners of the Company amounted to approximately NTD74.65 million (2020: approximately NTD143.81 million). Basic earnings per share were NTD7.94 cents (2020: NTD 14.42 cents).

TURNKEY SOLUTIONS

During the year of 2021, turnkey solutions were still the major revenue source for the Group. The used SME and parts supplied by the Group include furnaces and clean tracks which are used at the front-end of the semiconductor manufacturing process and wafer fabrication, such as deposition, photoresist coating and development. The semiconductors produced by the customers using the SME of the Group were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products. For the year ended 31 December 2021, the revenue amounted to approximately NTD874.83 million (2020: approximately NTD992.06), accounting for approximately 58.43% of the Group's total revenue.

TRADING OF SME AND PARTS

During the year of 2021, the Group recorded revenue of approximately NTD622.50 million (2020: approximately NTD505.77 million) from the trading of used SME and parts, representing an increase of approximately 23.08% year-over-year and accounting for approximately 41.57% of the total revenue of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2021, the revenue of the Group amounted to approximately NTD1,497.33 million (2020: approximately NTD1,497.83 million). The revenue from the business of turnkey solution and trading of used SME and parts amounted to approximately NTD874.83 million (2020: approximately NTD992.06 million) and NTD622.50 million (2020: approximately NTD505.77 million) respectively.

During the period under review, revenue from the domestic business in Taiwan accounted for approximately 57.59% of the Group's total revenue. Due to the impact of the COVID-19 pandemic, logistics and flow of people were restricted, which led to the failure of normal operation of some semiconductor industry players in certain countries and the gradual transfer of orders to Taiwan. In addition, due to the continued geopolitical tension, some semiconductor manufacturers in certain countries also shifted to cooperation with suppliers in Taiwan. The Group seized the market opportunities and actively explored and consolidated good and close working relationships with existing international customers, which in turn led to an increase of 283.80% in the Group's revenue derived from its operations in Singapore, Korea and Japan as compared to last year, accounting for approximately 13.45% of the Group's total revenue.

For the year ended 31 December 2021, the gross profit of the Group was approximately NTD342.17 million (2020: approximately NTD399.92 million), the gross profit margin was approximately 22.85% (2020: approximately 26.70%). The delay in semiconductor supply chain has affected the corresponding costs due to the resurgence of COVID-19 in Taiwan since mid-May 2021, resulting in a decrease in the overall gross profit margin.

For the year ended 31 December 2021, the total comprehensive income attributable to owners of the Company was approximately NTD74.65 million (2020: approximately NTD143.81 million), the basic earnings per share was approximately NTD7.94 cents (2020: approximately NTD14.42 cents).

OUTLOOK

In general, benefiting from the long-distance business opportunities and the rising demand driven by the stay-at-home economy, the overall economy is accelerating its digital transformation and driving the development of semiconductor applications. Demand from emerging application markets, such as 5G deployment and peripheral applications, cloud computing, high performance computing (HPC), artificial intelligence (AI), Internet of Things ("IoT"), virtual reality (VR), automotive and industrial markets, and Metaverse, provides solid support for the structural demand of semiconductors in the medium and long term. It is expected that the global supply and demand imbalance of semiconductors in 2021 will continue in 2022, and the supply shortage of advanced manufacturing processes will likely continue until 2023. According to the data from the Taiwan Industrial Technology Research Institute, the semiconductor production value in Taiwan reached NTD4.08 trillion in 2021, representing an increase of 26.7% compared with 2020. It is estimated that the semiconductor production value in Taiwan will exceed NTD4.8 trillion in 2022, representing a year-on-year increase of 17.7%, and will achieve double-digit growth in production value for three consecutive years from 2020 to 2022. According to the report of IC Insights, a market research and survey agency, the global semiconductor production value reached USD613 billion in 2021, representing a year-on-year increase of 26%, and is expected to reach USD680.6 billion in 2022, representing a year-on-year increase of 11%. The World Semiconductor Trade Statistics Organization (WSTS) also estimated that global semiconductor revenue will exceed USD600 billion and reaching USD601.49 billion in 2022, with an annual growth rate of 8.8%.

Meanwhile, the ongoing supply shortage of semiconductors due to the COVID-19 pandemic and the ongoing geopolitical tensions have prompted the restructuring of the global supply chain. Countries began to gradually build their own manufacturing chains, introduced semiconductor policy subsidies, actively supported the implementation of key technologies and supply chains, and strengthened chip independence. Major technology and electronics manufacturers around the world also actively diversify suppliers and production locations to build a resilient supply chain. According to SEMI, the global total sales volume of semiconductor manufacturing equipment reached USD103 billion in 2021, representing an increase of 44.7%, and it is expected that the equipment market will reach a new high of USD114 billion in 2022 driven by digital transformation. The Taiwan National Development Council also expects that the Taiwan Semiconductor Industry Programme (台灣半導體業者計劃) planned investment in the semiconductor sector will exceed NTD3 trillion by 2025. The Directors believe that this will bring new business opportunities to the Group in the future. The Group will pay close attention to the changes in the market environment, respond to market changes in a prudent and prompt manner to seize development opportunities, and actively explore market development opportunities. The Group will also strengthen its innovation and R&D capabilities, enhance its core competitiveness, and create long-term shareholder value.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the year ended 31 December 2021. The Group's s primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 31 December 2021, the borrowings of the Group totaled approximately NTD635.36 million (31 December 2020: approximately NTD739.12 million). As at 31 December 2021, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 57.71% (31 December 2020: approximately 83.49%).

Charges on Assets

As at 31 December 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 NTD267.11 million (31 December 2020: approximately NTD271.62 million).

Events Occurring after the Reporting Period

The Group had no significant events after the reporting period and up to the date of this report.

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 United States Dollar. As at the date of this report, the board of Directors (the "Board") considers that the foreign currencies (mainly the United States dollar) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from the overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During the year 2021, 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 31 December 2021, the Group did not have any significant capital commitments (31 December 2020: Nil) or significant contingent liability (31 December 2020: Nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

The Group did not have any significant investments and disposals of subsidiaries and capital assets during the year.

HUMAN RESOURCES

As at 31 December 2021, the Group employed approximately 257 employees (2020: 266). All staff of the Group are full-time employees and reside 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.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (on 15 October 2021, the Company made payment of a final dividend of HK$0.012 (equivalent to approximately NTD0.04) per share in respect of the year ended 31 December 2020 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 7 July 2021).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yang Ming-Hsiang (楊名翔) ("Mr. Yang"), aged 51, is the executive Director, chief executive officer and Chairman of the Board of the Company. He also serves as the Chairman of the nomination committee and the risk management committee as well as a member of the remuneration committee of the Company. Mr. Yang is primarily responsible for the overall business strategy and development of the Group. He joined the Group in December 2009 as the chief executive officer. Mr. Yang obtained a Bachelor's degree and a Master's degree in Engineering from Da-Yeh University (大葉大學) in Taiwan in June 1994 and June 1996, respectively. Prior to joining the Group, Mr. Yang worked in Chung Mei Pharmaceutical Co., Ltd. (中美兄弟製藥股份有限公司), a company engaging in the manufacturing of over-the-counter pharmaceuticals in Taiwan, as the assistant to general manager from August 1998 to September 2000. From November 2000 to December 2002, Mr. Yang was an engineer in Hermes-Epitek Corp. (漢民科技股份有限公司), a semi-conductor manufacturer in Taiwan. He joined Ubiquity Equipment Co., Ltd. (佑鳴科技股份有限公司), a company engaging in providing turnkey solution services, as the sales engineer in December 2002 and was the sales manager from July 2004 to December 2009. As at 31 December 2021, Mr. Yang was interested in the shares of the Company, the details of which are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" in this annual report.

Ms. Wei Hung-Li (魏弘麗) ("Ms. Wei"), aged 46, is the executive Director, chief financial officer, China region general manager and compliance officer of the Company. She also serves as a member of the remuneration committee, the nomination committee and the risk management committee of the Company. Ms. Wei is primarily responsible for financial management of the Group. She joined the Group in March 2011 as the chief financial officer. Ms. Wei obtained a Bachelor's degree in International Trade from Ta Hwa University of Science and Technology (大華科技大學) in Taiwan in June 2000. She worked in Ubiquity Equipment Co., Ltd (佑鳴科技股份有限公司), a company engaging in providing turnkey solution services, as a senior administrator from July 2003 to September 2006, being responsible for its overall administrative management. She was the management department manager in iBerlin Technology Co., Ltd. (艾柏霖科技股份有限公司), a company engaging in the manufacturing of electronic components, from January 2010 to February 2011. As at 31 December 2021, Ms. Wei was interested in the shares of the Company, the details of which are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" in this annual report.

Mr. Lin Yen-Po (林衍伯) ("Mr. Lin"), aged 49, is the executive Director and the deputy general manager of the research and development division of the Company. He is mainly responsible for the engineering research and development department of the Company. He joined the Group in December 2009. Mr. Lin obtained a Bachelor of Science in Chemical Engineering from the National Taiwan University of Science and Technology (國立臺灣科技大學) in June 1998. Prior to joining the Group, he was an engineer in Dahin Co., Ltd. (大穎企業股份有限公司), a company engaging in the construction of channel plant, from July 1998 to February 2000. From February 2000 to February 2003, Mr. Lin was an equipment and process engineer in Hermes-Epitek Corp. (漢民科技股份有限公司), a semi-conductor manufacturer in Taiwan. He joined Ubiquity Equipment Co., Ltd (佑鳴科技股份有限公司), a company engaging in providing turnkey solution services, as the process equipment engineer and sales engineer in February 2003 and was the equipment engineering manager from September 2006 to December 2009. As at 31 December 2021, Mr. Lin was interested in the shares of the Company, the details of which are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" in this annual report.

Mr. Hsiao Hsi-Mao (蕭錫懋) ("Mr. Hsiao"), aged 58, is the executive director of the Board of the Company and the general manager (總經理) of Astro Thermal Technology Corporation (崇濬股份有限公司) ("Astro Thermal"), an indirect wholly-owned subsidiary of the Company overseeing the production of heat jackets and parts for semiconductors. Mr. Hsiao first worked in Astro Thermal as head of technical from August 2006 to June 2007, and rejoined Astro Thermal in August 2009 as the general manager. From July 1990 to September 1997, he worked in UTEK Semiconductor Corporation (合泰半導體股份有限公司), a semiconductor company in Taiwan, as etching process engineer from July 1990 to June 1992, as etching process supervisor as from June 1992 to July 1995 and an assistant manager from July 1995 to September 1997, mainly responsible for organising, assessment and layout of etching process area. From September 1997 to November 2000, Mr. Hsiao worked in United Semiconductor Corporation (聯嘉積體電路股份有限公司), a company in Taiwan, as a TD projector coordinator and responsible for the development and planning DRAM and EDRAM etching process. From December 2000 to July 2006, Mr. Hsiao worked Episil Technologies Inc. (漢磊科技股份有限公司) first as an etching process manager and promoted to the vice-factory supervisor in May 2005. He worked in Directlytek Technology Co., Ltd. (德易力科技股份有限公司) as senior manager for factory production from October 2007 to May 2009. Mr. Hsiao graduated from National Tsing Hua University in Taiwan (國立清華大學) with a master's degree in engineering (工學碩士) in June 1988. As at 31 December 2021, Mr. Hsiao did not have interest in the Shares, Underlying Shares or Debentures of the Company and any of Its Associated Corporations in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam, Eddie Shing Cheuk (甘承倬) ("Mr. Kam", previously known as Kam Leung Ming (甘亮明)), aged 47, was appointed as the independent non-executive Director of the Company on 20 June 2017. He also serves as the Chairman of the remuneration committee and a member of the audit committee, the nomination committee and the risk management committee of the Company. Mr. Kam obtained a Bachelor's degree in Accountancy in November 2003 and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in November 2010. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England and Wales, an associate member of The Hong Kong Chartered Governance Institute (the "HKCGI") formerly known as the Hong Kong Institute of Chartered Secretaries (the "HKICS") and the Chartered Governance Institute UK & Ireland formerly known as the Institute of Chartered Secretaries in the United Kingdom. Mr. Kam has over 22 years of experience in auditing, professional accounting, financial management and business administration. Mr. Kam was the company secretary of Get Nice Holdings Limited (stock code: 64), from 28 April 2011 to 7 April 2016 and was appointed as the executive director and company secretary in 28 April 2017, a company listed on the Main Board of the Stock Exchange. He was the executive director and company secretary of Get Nice Financial Group Limited (stock code: 1469) from 24 September 2015 to 28 April 2017, a company listed on the Main Board of the Stock Exchange, where he was primarily responsible for management of the finance and accounting division as well as serving as the company secretary. Mr. Kam worked for Hutchison Harbour Ring Industries Limited, a member of Hutchison Harbour Ring Limited (和記港陸有限公司), a company listed on the Main Board of the Stock Exchange (now known as China Oceanwide Holdings Limited (中泛控股有限公司)) (stock code: 715), as the PRC finance manager from 25 April 2006 to 10 May 2007 and Mandarin Entertainment (Holdings) Limited (東方娛樂控股有限公司) (now known as KEYNE LTD (金奧國際股份有限公司)) (stock code: 9), a company listed on the Main Board of the Stock Exchange, as the financial controller from 1 November 2007 to 31 October 2008. He was an independent non-executive director of Casablanca Group Limited (卡撒天嬌集團有限公司) (stock code: 2223) from 1 April 2015 to 26 May 2017 and was also appointed as an independent non-executive director of Ever Harvest Group Holdings Limited (永豐集團控股有限公司) (stock code: 1549) in 1 November 2016. Mr. Kam was appointed as a non-executive Director of Pangaea Connectivity Technology Limited (環聯連訊科技有限公司) (stock code: 1473) on 17 June 2019, an independent non-executive director of Citychamp Watch & Jewellery Group Limited (冠城鐘錶珠寶集團有限公司) (stock code: 256) on 6 November 2020 and was also appointed as an independent non-executive director of Xiezhong International Holdings Limited (協眾國際控股有限公司) (Previous listed on the Main board stock code: 3663) from 16 December 2020 to 8 July 2021. Mr. Kam was appointed as the committee member of the 8th Chinese People's Political Consultative Conference Shanghai Committee (Baoshan District) (中國上海市寶山區政協委員會委員) in December 2016.

Mr. Cheng Chun Shing (鄭鎮昇) ("Mr. Cheng"), aged 47, was appointed as the independent non-executive Director of the Company on 20 June 2017. He also serves as the Chairman of the audit committee, a member of the remuneration committee, the nomination committee and the risk management committee of the Company. Mr. Cheng obtained his Bachelor of Arts Degree in Accountancy from the Hong Kong Polytechnic University in November 1997 in Hong Kong and obtained his Master Degree of Business Administration (Executive Master of Business Administration Programme) from the Chinese University of Hong Kong in November 2018. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in January 2001 and was admitted as a fellow member in October 2014. He had also been an associate member of the Institute of Chartered Accountants in England and Wales since January 2008 and has been admitted as a fellow member since January 2018. Mr. Cheng has extensive experience in accounting, auditing, and corporate financial management for about 22 years. He has over 12 years of audit experience in international accounting firms. Mr. Cheng currently serves as the financial controller and company secretary of BeijingWest Industries International Limited (京西重工國際有限公司) (stock code: 2339), a company listed on the Main Board of the Stock Exchange, and also appointed as an independent non- executive director of China Oriented International Holdings Limited (向中國際控股有限公司) (stock code: 1871), a company listed on the Main Board of the Stock Exchange, in September 2019. From April 2015 to February 2017, Mr. Cheng served as the company secretary and chief financial officer of LC Group Holdings Limited (良斯集團控股有限公司) (currently known as Hope Life International Holdings Limited (曠逸國際控股有限公司)) (stock code: 1683), a company listed on the Main Board of the Stock Exchange. Mr. Cheng was primarily responsible for overseeing the overall financial management of that group and company secretarial matters. Mr. Cheng was also the company secretary and group financial controller of Sustainable Forest Holdings Limited (永保林業控股有限公司) (currently known as Reliance Global Holdings Limited (信保環球控股有公司)) (stock code: 723), a company listed on the Main Board of the Stock Exchange, during the periods from September 2012 to September 2014 and November 2011 to December 2014, respectively, and was principally engaged in the ownership and management of forest plantation trees, the sale of timber logs, and manufacturing of engineered-wood products.

Mr. Ho Pak Chuen Brian (何百全) ("Mr. Ho"), ages 48, was appointed as the independent non-executive Director of the Company on 20 June 2017. He also serves as a member of the audit committee, the remuneration committee, the nomination committee and the risk management committee of the Company. Mr. Ho obtained the Bachelor of Commerce degree in April 1995 and the Bachelor of Laws degree in March 1997, both from Monash University, Australia and a Master's Degree of Business Administration from the University of Sydney, Australia and University of New South Wales, Australia in May 2009. He was admitted as a barrister and solicitor of the supreme court of Victoria, Australia in 1997 and a solicitor of the High Court of Hong Kong in 2000. He became a Certified Practising Accountant of CPA Australia in 2004. Mr. Ho has over 21 years of experience in corporate finance and law. He is currently a partner of Howse Williams, a law firm in Hong Kong. Mr. Ho worked as a Vice President — Corporate Finance at Cazenove Asia Limited, which was subsequently acquired by Standard Chartered Securities (Hong Kong) Limited, between June 2007 and February 2009, as an Associate Director and subsequently as a Director of Equity Corporate Finance Department at Standard Chartered Securities (Hong Kong) Limited between February 2009 and February 2012. Prior to 2007, he worked in the corporate department of various international and local law firms in Hong Kong.

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie (袁頴欣) ("Ms. Yuen") has been appointed as the company secretary of the Company since 1 February 2018 and is responsible for the company secretary services of the Group. Ms. Yuen is currently a director of the corporate services division of Tricor Services Limited ("Tricor"), which is a global professional provider of integrated business, corporate and investor services. Ms. Yuen has over 26 year of experience in corporate services and has provided professional corporate services for listed companies in Hong Kong and multi-national companies, private companies and offshore companies. Ms. Yuen graduated from Lingnan College (currently known as Lingnan University). Ms. Yuen is a Chartered Secretary and a fellow of both of The Hong Kong Chartered Governance Institute (the "HKCGI") formerly known as the Hong Kong Institute of Chartered Secretaries (the "HKICS") and the Chartered Governance Institute UK & Ireland formerly known as the Institute of Chartered Secretaries in the United Kingdom.

REPORT OF THE BOARD OF DIRECTORS

The directors hereby present the annual report and the audited consolidated financial statements for the year ended 31 December 2021.

CORPORATE REORGANISATION AND LISTING

The Company is an exempted company incorporated in the Cayman Islands with limited liability in accordance with the Companies Law of the Cayman Islands on 6 June 2016. To prepare for the listing of its shares on the GEM of the Stock Exchange, the Company has carried out corporate reorganisation and has become a holding company of the Group. For further details of the corporate reorganisation of the Group, see the section headed "History, Reorganisation and Group Structure" in the prospectus. The shares were listed on the GEM of the Stock Exchange on 14 July 2017 (the "Listing Date").

PRINCIPAL BUSINESS

The Company is an investment holding company. Business of the major subsidiaries of the Company is set out in note 1 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Business of the Group for the year ended 31 December 2021 is set out in the section headed "Management Discussion and Analysis" on pages 06 to 09 of this annual report. The discussion is an integral part of this Report of the Board of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to operate in compliance with the applicable environmental protection laws and methods in a bid to minimise the adverse effects of its existing business activities on the environment. Details of the environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 36 to 48 of this annual report.

In response to the epidemic prevention measures of the new coronavirus, the Group has implemented the following relevant management requirements:

All employees, manufacturers and visitors must undergo a temperature check before entering the Group's premises. Those with symptoms of infection (fever) are prohibited from entering the Group's premises, and personal tracking records of the individuals with symptoms of infection are filed by the human resources department. In addition, regular sterilisation is implemented at least once a week. The doors and windows in the Group's premises are kept open, and the working environment is kept ventilated. At the same time, unnecessary meetings and business trips are reduced and replaced by communications via telephone or email in order to achieve full epidemic prevention management.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the current knowledge of the Board and the management, the Group has not committed any violation or non-compliance of applicable laws and regulations that would have significant impact on the operation of the Group throughout the year ended 31 December 2021.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges that maintaining good relationship with its employees and customers make great importance to the achievement of its short-term and long-term business objectives. For the year ended 31 December 2021, there was no serious and material dispute between the Group and its employees, customers and suppliers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 54 of this annual report.

The Board does not recommend any payment of final dividend for the year ended 31 December 2021. On 15 October 2021, the Company distributed the final dividend of HK$0.012 (equivalent to approximately NTD0.04) per share for the year ended 31 December 2020 to the Shareholders whose names appeared on the register of members of the Company on Wednesday, 7 July 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 106 of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 57 of this annual report.

The Company's reserves available for distribution to shareholders as of 31 December 2021 amounted to approximately NTD51.91 million (2020: approximately NTD35.78 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2021 and 2020, sales to the Group's five largest customers, in aggregate represented approximately 59.09% and 67.72% of the Group's total revenue, respectively. For the years ended 31 December 2021 and 2020, sales to the single largest customer amounted to approximately 18.10% and 17.89% of the Group's total revenue, respectively.

For the years ended 31 December 2021 and 2020, purchases of raw materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 40.28% and 39.74% of the Group's total purchases, respectively. For the years ended 31 December 2021 and 2020, purchases from the single largest supplier amounted to approximately 15.79% and 18.72% of the Group's total purchases, respectively.

For the year ended 31 December 2021, none of the Directors or any of their associates or any shareholders (who to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 19 to the consolidated financial statements of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

During the year and as of the date of this report, our Directors include:

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)

Pursuant to the articles 84(1), 83(3) and 84(2) of the articles of association of the Company (the "Articles of Association"), Ms. Wei Hung-Li, Mr. Hsiao Hsi-Mao, Mr. Kam, Eddie Shing Cheuk and Mr. Cheng Chun Shing shall retire at the forthcoming annual general meeting of the Company (the "AGM") and being eligible, to offer themselves for re-election at the AGM.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that each of the independent non-executive Directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 10 to 12 of this annual report.

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

As at 31 December 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	Beneficial owner	27,975,000	2.79%
("Mr. Yang")	Interest in persons acting in concert (Note)	654,075,000	65.41%
		682,050,000	68.20%
Ms. Wei Hung-Li	Beneficial owner	19,125,000	1.91%
("Ms. Wei")	Interest in persons acting in concert (Note)	662,925,000	66.29%
		682,050,000	68.20%
Mr. Lin Yen-Po	Beneficial owner	1,200,000	0.12%
("Mr. Lin")	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 31 December 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.

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

As at 31 December 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%

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 31 December 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, as of 31 December 2021 and up to the date of this report, neither the Directors nor the chief executives of the Company nor 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 at the end of 31 December 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 executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of its associated corporations (within the meaning of the SFO).

SHARE OPTION SCHEME OF THE COMPANY

The Company's share option scheme (the "Share Option Scheme") was approved by a resolution of the Company's shareholders passed on 20 June 2017. The principal terms of the Share Option Scheme, a summary of which is set out in Appendix V to the Prospectus, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

As of 31 December 2021 and up to the date of this annual report, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 31 December 2021 and up to the date of this annual report, there was no outstanding share option not yet exercised under the Share Option Scheme.

The following is a summary of the principal terms of the Share Option Scheme:

Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

Eligible Participants

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new shares as our Board may determine at an exercise price determined in accordance with the ways set out below to the following (the "Eligible Participants"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including executive directors, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

100,000,000 shares, representing 10% of the total issued shares of the Company as at the date of this annual report.

Maximum entitlement under the Scheme

The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares, unless otherwise approved by the Company's shareholders in a general meeting in advance with such Eligible Participant and his close associates abstaining from voting.

Minimum period, if any, for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

Amount payable on acceptance of the options

An offer shall be deemed to have been accepted when the Company receives the duly signed offer letter together with a non-refundable payment of HK$1.00.

Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

Basis of determining the exercise price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

Remaining duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date.

Further details of the Share Option Scheme are set out in Appendix V to the Prospectus.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three (3) years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association and the GEM Listing Rules, unless terminated by not less than three (3) months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one (1) year commencing from 20 June 2021, which is subject to retirement by rotation and re-election in accordance with the Articles of Association and the GEM Listing Rules, unless terminated by not less than one (1) month's notice in writing served by either party on the other.

None of the Directors proposed for re-election at the 2022 AGM has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There were no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the period from 1 January 2021 to 31 December 2021.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group did not enter into any transactions which need to be disclosed as connected transactions/continuing connected transactions under Chapter 20 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

To better safeguard our Group from any potential competition, our Company's controlling shareholders has entered into the deed of non-competition (the "Deed of Non-Competition") in favour of our Company dated 20 June 2017, whereby each of the controlling shareholders irrevocably and unconditionally undertakes with our Company that with effect from the Listing Date and for as long as our shares remain listed on the Stock Exchange and (i) our Company's controlling shareholders collectively are, directly or indirectly, interested in not less than 30% of our Company's issued shares; or (ii) the relevant controlling shareholder remains as our Company's executive Director, each of our controlling shareholders shall, and shall procure that its/his/her respective close associates shall, except where our controlling shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group:

(a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business that is or may be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;

(b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group;

(c) keep our Board informed of any matter of potential conflicts of interests between the relevant controlling shareholders (including its/his/her close associates) and our Group, in particular, a transaction between any of the relevant controlling shareholders (including its/his/her close associates) and our Group; and

(d) provide as soon as practicable upon our Company's request a written confirmation in respect of its compliance with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company's annual report and all such information as may be reasonably requested by our Company for its review.

In addition, each of our controlling shareholders hereby irrevocably and unconditionally undertakes that if any new business opportunity relating to any products and/or services of our Group (the "Business Opportunity") is made available to it/him/her or its/his/her close associates (other than members of our Group), he/she/it will direct or procure the relevant close associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant controlling shareholders shall provide or procure its/his/her close associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he/she/it (or his/her/its close associates) plans to participate or engage in any new activities or new businesses which may, directly or indirectly, compete with the existing business activities of our Group, he/she/it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of our controlling shareholders and their close associates (other than members of our Group) will pursue the Business Opportunity unless our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors after taking into consideration of the prevailing businesses and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity. Each of our controlling shareholders further irrevocably and unconditionally undertakes that he/she/it will (i) provide our Group with all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition; and (ii) confirm with our Company on an annual basis as to whether he/she/it has complied with such undertakings. The Deed of Non-Competition will lapse automatically if (a) our Company's controlling shareholders and their close associates cease to hold, whether directly or indirectly, 30% or more of our shares; or (b) our Company's shares cease to be listed on GEM; or (c) the concert party agreements expire or terminate, whichever is the earliest.

For the year ended 31 December 2021, none of the controlling shareholders of the Company has engaged in or negotiated for any new Business Opportunity relating to any restricted business as required under the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date and up to the date of this report, 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 might be in competition or otherwise had any other conflicts of interests with the Group's business.

PERMITTED INDEMNITY

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

MANAGEMENT CONTRACTS

Other than the service contracts entered into with the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

CORPORATE GOVERNANCE

The major corporate governance practices adopted by the Company are set out in the corporate governance report on pages 25 to 35.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme of the Company, there was no equity-linked agreement being entered into or remained subsisting during the year or as of the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, and there are no restrictions against such rights under the laws of Cayman Islands.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company's listed shares.

REMUNERATION POLICY OF DIRECTORS AND SENIOR MANAGEMENT

Remunerations of each of the Directors and senior management members of the Company shall be reviewed by the Remuneration Committee after considering the results of operations of the Company, their individual performance and comparable market data.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2021, the Group employed 257 (2020: 266) employees. Our staff are all full-time employees and located in Taiwan. The staff costs of the Group, including Directors' emoluments, employees' salaries, allowances and other benefits, amounted to NTD262.23 million (2020: NTD233.37 million).

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.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees of the Group, details of the Share Option Scheme are set out under the heading "Share Option Scheme of the Company" of this report.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 June 2022 to Thursday, 23 June 2022, both days inclusive. In order to be eligible to attend and vote at the AGM, unregistered shareholders of the Company shall ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 17 June 2022.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events after the reporting period and up to the date of this report.

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 control, internal control and risk management systems, and (c) reviewing the Group's financial and accounting policies and practices.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021. The Audit Committee considers that the audited consolidated financial statements have been prepared under the applicable accounting standards and the GEM Listing Rules.

AUDITOR

In 2018, Elite Partners CPA Limited and Moore Stephens CPA Limited resigned as the auditors of the Company and PricewaterhouseCoopers was appointed as the auditor to fill the casual vacancy. Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Genes Tech Group Holdings Company Limited
Yang Ming-Hsiang
Chairman and Executive Director

28 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") of the Company is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") (as in force as at 31 December 2021) contained in Appendix 15 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules"). To the best knowledge of the Directors, the Group has no material deviation from the code provisions of the CG Code, except for the deviation from provision A.2.1 of the CG Code, which is explained in the relevant paragraph of this report.

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.

DIRECTORS' SECURITIES TRANSACTIONS/REQUIRED STANDARD OF DEALINGS

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 year ended 31 December 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.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of four Executive Directors, namely Yang Ming-Hsiang, Wei Hung-Li, Lin Yen-Po and Hsiao Hsi-Mao, and three Independent Non-executive Directors, namely Kam, Eddie Shing Cheuk, Cheng Chun Shing and Ho Pak Chuen Brian.

The biographical information of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 10 to 12 of the Annual Report for the year ended 31 December 2021.

None of the members of the Board is related to one another.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held meeting/discussed with Independent Non-executive Directors without the presence of other Directors during the year.

During the year, the Board held six meetings.

Chairman and Chief Executive Officer

Code provision A.2.1 as set out in Appendix 15 to the GEM Listing Rules stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Yang Ming-Hsiang is the Chief Executive Officer, and he is also 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.

Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company for a term of three (3) years, which may be terminated by not less than three (3) months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set forth in the Articles of Association.

The Independent Non-executive Directors of the Company are appointed for a specific term of one (1) year, which may be terminated by not less than one (1) month's notice in writing served by either party on the other and is subject to termination provisions on the appointment letter and provisions on retirement by rotation of the Directors as set forth in the Articles of Association.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2021, the Company organized trainings for the Directors. In addition, relevant materials including the directors' duties and role and function of board committees, the risk management and internal control, ESG reporting and the directors' roles on corporate governance have been provided to the Directors for their reference and studying.

The record of CPD relating to director's duties and regulatory and business development that has been received by the Directors for the year ended 31 December 2021 is summarized as follows:

Directors	Type of Training Note
Executive Directors	
Yang Ming-Hsiang	A & B
Wei Hung-Li	A & B
Lin Yen-Po	A & B
Hsiao Hsi-Mao	A & B
Independent Non-Executive Directors	
Kam, Eddie Shing Cheuk	A & B
Cheng Chun Shing	A & B
Ho Pak Chuen Brian	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading/Studying relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Risk Management Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Risk Management Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the Chairman and members of each Board committee is set out under "Corporate Information" on page 03.

Audit Committee

The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Cheng Chun Shing (Chairman of the Audit Committee), Mr. Kam, Eddie Shing Cheuk and Mr. Ho Pak Chuen Brian.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held four meetings to review, in respect of the year ended 31 December 2021, the quarterly, interim and annual financial results and reports and significant issues on the financial reporting, appointment of external auditors and engagement of non-audit services (including provision of internal controls advisory services).

The Audit Committee also reviewed the effectiveness of the risk management and internal control systems and arrangements for employees to raise concerns about possible improprieties.

Risk Management Committee

The Risk Management Committee consists of five members, including two Executive Directors, namely Mr. Yang Ming-Hsiang (Chairman of the Risk Management Committee)and Ms. Wei Hung-Li, and three Independent Non-executive Directors, namely Mr. Kam, Eddie Shing Cheuk, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.

The primary duties of the Risk Management Committee are to assist the Board in overseeing the risk management and internal control systems, reviewing the effectiveness of the internal audit function, and monitoring the establishment and reviewing of the overall risk management policies and procedures of the Group.

The Risk Management Committee also reviewed the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2021.

Remuneration Committee

The Remuneration Committee consists of five members, including two Executive Directors, namely Mr. Yang Ming-Hsiang and Ms. Wei Hung-Li, and three Independent Non-executive Directors, namely Mr. Kam, Eddie Shing Cheuk (Chairman of the Remuneration Committee), Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee reviewed the remuneration policy, structure of the Company and the remuneration packages of the Directors and other related matters.

Details of the remuneration of the senior management by band are set out in note 29 to the consolidated financial statements for the year ended 31 December 2021.

Nomination Committee

The Nomination Committee consists of five members, including two Executive Directors, namely Mr. Yang Ming-Hsiang (Chairman of the Nomination Committee) and Ms. Wei Hung-Li, and three Independent Non-executive Directors namely Mr. Kam, Eddie Shing Cheuk, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant policies and procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy and Director Nomination Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee reviewed the structure, size, composition of the Board and the independence of the Independent Non-executive Directors, and considered the qualifications of the retiring Directors standing for election at the Annual General Meeting.

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. Such objectives will be reviewed/amended from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy and recommend revisions, as appropriate, to ensure its continued effectiveness from time to time.

The Board Diversity Policy is available on the website of the Company.

Director Nomination Policy

The Director Nomination Policy of the Group has been adopted taking into consideration of the revised Listing Rules effective from 1 January 2019. The Director Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board in order to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the Board continuity and appropriate leadership at Board level.

Pursuant to the Director Nomination Policy, in evaluating and selecting a candidate for directorship, the Nomination Committee should consider a number of factors, including but not limited to character and integrity, qualifications and diversity aspects under the Board Diversity Policy and other perspectives that are appropriate to the Company's business and succession plan.

When appointing a new director/re-electing a new director, the Nomination Committee and/or the Board, upon receipt of the proposal/nomination from a shareholder, has to evaluate the candidate(s) based on the relevant criteria and, if more than one candidate, rank them by order of preference based on the needs of the Company. The Nomination Committee should then recommend to the Board (or to the shareholders) to appoint/elect the appropriate candidate for directorship, as applicable.

When re-electing a director at general meeting, the Board should also review the overall contribution and service to the Company of the retiring director and other criteria as set out in the Director Nomination Policy before making recommendation to the shareholders in respect of the proposed re-election of a director.

The Nomination Committee will review the Director Nomination Policy and recommend revisions, as appropriate, to complement the Company's corporate strategy and business needs.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Risk Management Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Yang Ming-Hsiang	6/6	4/4[#1]	1/1	2/2	2/2	1/1
Wei Hung-Li	6/6	4/4[#1]	1/1	2/2	2/2	1/1
Fan Chiang-Shen (resigned on 1 July 2021)	3/6	1/4[#1]	1/1	–	–	1/1
Lin Yen-Po	6/6	2/4[#1]	–	–	–	1/1
Hsiao Hsi-Mao (appointed on 1 July 2021)	3/6	–	–	–	–	–
Kam, Eddie Shing Cheuk	6/6	4/4	–[#2]	2/2	2/2	1/1
Cheng Chun Shing	6/6	4/4	–[#2]	2/2	2/2	1/1
Ho Pak Chuen Brian	6/6	4/4	–[#2]	2/2	2/2	1/1

#1 The directors are not members of the Audit Committee while they attended the relevant Committee meetings.

#2 The Risk Management Committee meeting was held on 17 March 2021; three independent non-executive directors, Mr. Kam, Eddie Shing Cheuk, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian, have been appointed as members of Risk Management Committee from 1 April 2021.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Company's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee and the Risk Management Committee. The Audit Committee and the Risk Management Committee assist the Board in fulfilling its oversight and corporate roles in the Company's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board, the Audit Committee and the Risk Management Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

Risk Management

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

Internal Control

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that the Company's assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company's performance are identified and assessed.

During the year, the Company has engaged an external consultant to conduct a review of the Company's risk management policy and assessment procedures and internal controls over its inventory management process. Results of the review were communicated to the Audit Committee. Issues identified are followed up for proper implementation and the progress will be reported to the Audit Committee periodically.

Review of Risk Management and Internal Control Systems

The Audit Committee and the Risk Management Committee assist the Board in the review of the effectiveness of the Company's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee and the Risk Management Committee are kept informed of significant risks that may impact the Company's performance. For the year ended 31 December 2021, the Board considered the risk management and internal control systems of the Company to be effective and adequate.

The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting function.

Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 49 to 53.

Where appropriate, a statement from the Audit Committee will be made explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to HK$2,701,000 and HK$0 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service Category	Fees Paid/Payable HK$
Audit Services	2,701,000
Non-audit Services	–
	2,701,000

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie of Tricor Services Limited has been engaged by the Company as the company secretary. The primary contact person of the Company is Ms. Wei Hung-Li, an Executive Director and Chief Financial Officer of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

Ms. Yuen Wing Yan, Winnie has complied with Rule 5.15 of the GEM Listing Rules by taking more than 15 hours of the relevant professional training for the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Company's Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Act or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 80, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan
(For the attention of the Board of Directors)

Email: gcompany@genestech.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The Shareholders' Communication Policy is regularly reviewed to ensure its effectiveness.

The Dividend Policy of the Group is in place which was adopted on 13 November 2018 pursuant to code provision E.1.5 of the CG Code that has become effective since 1 January 2019. The Dividend Policy sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

The Company does not have any pre-determined dividend payout ratio but the Board has the discretion to declare and distribute dividends (by way of cash or scrip or by other means that the Board considers appropriate) to the shareholders of the Company, subject to the Articles of Association of the Company and all applicable laws and regulations and the factors set out in the Dividend Policy, including but not limited to the financial results, cash flow situation, business conditions and strategies, future operations and earnings and other factors that the Board may consider relevant. The Board will review the Dividend Policy as appropriate from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Genes Tech Group Holdings Company Limited (the "Company" or "Genes Tech"), together with its subsidiaries (the "Group" or "we"), recognise the importance of sustainability in contributing to long-term business success. Adhering to the Group's core philosophy which stems from honest, results-driven, and customer-centric business, we are pleased to present this environmental, social and governance report (the "Report" or the "ESG Report").

This Report covers the Group's sustainability performance within its core business operations and activities on providing turnkey solutions and semiconductor manufacturer equipment in Taiwan including Genes Tech and Astro Thermal Technology Corporation ("Astro Thermal") during the period from 1 January to 31 December 2021 (the "reporting year "). It also provides relevant updates on the significant ESG matters identified during the reporting year. For the Group's corporate governance practices, please refer to the section "Corporate Governance Report" of this annual report. Overall, the reporting boundary remains the same as the prior year.

This Report has been prepared in accordance with the "mandatory disclosure requirements" and the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 20 of the Growth Enterprise Market ("GEM") Listing Rules issued by the Stock Exchange of Hong Kong Limited ("HKEx"). This report aligns with the reporting principles outlined in the ESG Guide namely materiality, quantitative and consistency. The quantitative information such as calculation methods, assumptions and reference standards are disclosed in this Report where appropriate. The data is calculated and reported using consistent methodologies for effective year-over-year comparison.

The Board Statement

The board of directors ("the Board") bears the primary responsibilities for formulating long-term environmental, social and governance ("ESG") strategies of the Group. Through ensuring adequate internal control and risk management systems are in place to address relevant ESG issues, significant sustainability risks and opportunities could be identified and managed, thus enhancing the Group's business resilience to this rapid changing world and environment. The Board also drives appropriate measures in overseeing and reviewing the implementation progress of the ESG-related targets and policies. With a robust and effective ESG governance, the Group believes that its long-term business sustainability can be facilitated and the expectations from its stakeholders could be addressed.

Stakeholder Engagement and Materiality Assessment

The Group understands that the success of achieving its sustainability vision and purpose is intrinsically linked to its stakeholders, including employees, customers, investors, suppliers, regulators, and the local community. One of the Group's core missions is to create long-term value for its stakeholders, we thereby striving to identify material issues that affect the sustainability of the Group's business.

In 2021, the Group continued to maintain an open dialogue with its stakeholders through diversified communication channels such as staff briefing sessions, customer service channels, Annual General Meetings (AGM), regular supplier reviews, and community engagement activities. These communication channels enabled the Group to gain a more comprehensive understanding on ESG-related matters and thus improving the alignment between business development and sustainability strategy. Thanks to regular communication and interaction with both internal and external stakeholders, the Group can better identify and prioritise the ESG issues, therefore maintaining a balance between its business practices and sustainability while addressing stakeholders' needs and expectations.

The table below illustrates the results of the Group's materiality assessment. The listed issues are considered to be the most material and may have significant influence over the Group's ESG performance.

Aspects	Material Issues
Environment	• Water Management
Employment and Labour	• Occupational Health and Safety • Employee Relationship
Operations	• Supply Chain Management • Intellectual Property
Community	• Community Investment

2. ENVIRONMENT

The Group highly recognises the importance of environmental protection and strives to operate in a responsible manner. To ensure environmental compliance and proper implementation of environmental protection measures in our operation, the Group strictly complies with all applicable laws and regulations mandated by the Hsinchu County Environmental Protection Bureau of Taiwan and in the markets where the Group operates in. Under the Taiwan Environmental Protection Act, the Group's business is affected by the regulations regarding air pollution, water pollution, waste pollution, toxic chemicals and environmental impact. The Group has implemented internal guidance on environmental management and maintained zero tolerance on any violation of the local legislation.

During the reporting year, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Emissions

The core business services of the Group focuses on supplying and exporting new and used semiconductor manufacturing equipment. The Group also provides supplementary services including tool repair, refurbishment, upscaling, and manufacturing process modifications. These complementary services in nature do not contain any heavily polluting or environment-dependent procedures. To further enhance the efforts on mitigating potential environmental impacts, the Group has integrated sustainable environmental management practices into overall production and operations and implemented various measures targeting on reducing its air pollutants and GHG emissions.

The Group recognises that its key air pollutants, namely sulphur oxides ("SO_X"), nitrogen oxides ("NO_X"), and particulate matters ("PM") are mainly come from the use of motor vehicles. Therefore, the Group has encouraged its employees to use public transportation and choose the vehicles with higher emission standards to reduce its air pollutants emission. Going forward, the Group will continue to increase the environmental awareness of its employees through internal trainings and programmes. Our senior management will monitor and review the Group's current emission patterns, targeting to make progress in its air pollutant emission reduction with relevant go-green initiatives.

Besides, the Group has adopted a rigid and environmentally safe process of refurbishment to extend the operational life of the depreciated equipment, which serves a purpose of reducing wastes produced in the industry. To facilitate its management on hazardous and non-hazardous wastes, the Group has taken the initiatives to make full utilisation of the discarded packaging materials across its business operations. For instance, the wooden boxes, cartons, plywood boxes, bubble wrap and foam boards are reused when packing the second-hand equipment for exports for the purpose of minimising waste disposal. This initiative has effectively led to a significant reduction on the reported use of packaging materials. Moreover, the Group has cooperated with government-registered professional waste handlers and qualified waste disposal vendors to enhance its waste handling process. With proper waste classification, collection, segregation, storage, transfer, and disposal procedures of both hazardous and non-hazardous wastes, the Group strives to reduce its negative impacts on the environment. For example, only pure water is used during our internal testing of equipment and machinery to prevent the generation of chemical oil and other hazardous substance. Looking ahead, the Group will keep close monitoring of its performance on hazardous and non-hazardous wastes generation, and exploring possibilities for optimising its waste management system through innovations and technologies.

Use of Resources

The Group recognised that its business operations will create both direct and potential impacts to the environment. Supporting the sustainable management of resources, the Group has developed various resources conservation initiatives, such as leveraging technology use and promoting efficient consumption of water, energy, paper, raw materials and other valuable resources throughout the manufacturing and operation process. To minimise it environmental impacts, the Group's operational policies are in place to instruct and enhance resource management and allocation. These policies apply to existing plants for optimal resource usage with an ultimate goal to improve the efficiency on energy and resource consumption.

Regarding the management of energy consumption, the Group has actively promoted responsible use of electricity among its employees. Employees are required to switch off all lighting and electronic devices during meal breaks and after office hours when they are not in use. Besides, the Group has reminded its employees to switch off all air-conditioner, electronic devices, and public appliances when they are not in use. After office hours security guards will check and switch off the power of any electronic devices or public appliances that are not in operation. Employees are also encouraged to take public transportation to reduce carbon footprint and maximise transportation efficiency. Besides, the Group has further utilised LED lighting in its building office and eliminate the use of traditional fluorescent tubes. Regular inspection and maintenance work on its office equipment and machinery has been carried out for the purpose of enhancing the operation efficiency and promote energy saving. In the future, the Group will strengthen its commitment to a more sustainable energy consumption patterns through implementing energy conservation initiatives and promoting environmental stewardship.

Concerning water management, the Group promotes responsible water consumption practice in its daily operation. The Group has also carried out regular leakage inspection and faucet leakage tests on water pipes and tanks to identify malfunctions and prevent wastage. The Group has further enhanced its water conservation efforts through rainwater harvesting and the use of waste water recycling system where both rainwater and greywater were recycled and utilised for landscape irrigation and cleaning purposes. Going forward, the Group will increase its water-saving initiatives and employ new technologies for conserving water resources.

Further to the energy-saving and water-saving measures, the Group has implemented various resource conservation initiatives. For instance, the Group has advocated for a paperless initiative through digital transformation and encouraged its staff to adopt double-sided printing whenever possible. Wastepaper collection boxes are also placed in the office to collect non-reusable wastepaper for recycling, hence effectively reduce paper consumption in the office. Not only wastepaper has been recycled, other resources such as metal, plastic, glass and electronic products were also recycled for enhancing the resource utilisation efficiency. Moving forward, the Group will continue to introduce technical refinements and raise employees' environmental awareness to fulfil targets for reducing, reusing, recycling and renewing resources.

Environment and Natural Resources

Semiconductor manufacturing equipment embedded with turnkey solutions naturally amounts to a lengthened lifecycle of related parts. The Group continues to focus on nurturing technical expertise assisted with industrial machinery to explore more ways to better equip its engineering team and enhance operational processes. Such strategic direction facilitates the Group to be a sustainable service provider by making efforts to reduce air pollutants emission and consumption of natural resources.

All of the Group's facilities in operation are situated in the industrial sites. Assessments of how the community and the environment are affected are conducted on a regular basis to minimise the negative environmental impacts. In parallel, cost-effective and forward-looking measures are encouraged and put into practice after consideration. The Group stands by its long-term commitment to comply with existing environmental laws and regulations as a booster to the Group's improvement in environmental performance.

Climate Change

Climate change is a global challenge that has been manifested in altered weather patterns, extreme weather events and reduced supplies of various resources. The Group pays constant attention on sustainable business development and strive to improve its business resilience against the potential climate-related risks. For example, climate change will imply more frequent occurrences of extreme weather events, such as super typhoons and flooding, so we will keep abreast of the climate change issue and continue to refine our operation manuals. The Group acknowledged that our business operations would be potentially impacted due to the growing climate-related regulations imposed by the government or regulators, namely the recent announcement from the National Council for Sustainable Development of Taiwan concerning the inclusion of 2050 net-zero emission target in the amendment bill for the Greenhouse Gas Reduction and Management Act. Planning ahead, the Group will explore the opportunity of developing better strategies to mitigate the negative impacts on our operations.

Summary of Environmental Performance Data

Environmental performance data for Genes Tech for the year ended as of 31 December 2021:

Environmental KPIs	Unit	2021	2020
Air Emissions[1]			
Nitrogen oxides (NO_x) emissions[2]	kg	**189.24**	151.81
Sulphur oxides (SO_x) emissions	kg	**0.34**	0.27
Particulate matter (PM) emissions[3]	kg	**18.12**	14.53
Total GHG emissions[4]	tonne CO_2e	**616.22**	548.39
GHG emissions intensity	tonnes CO_2e/employee[5]	**2.36**	2.10
Direct emission (Scope 1)[6]	tonne CO_2e	**66.59**	53.48
Energy indirect emission (Scope 2)[7]	tonne CO_2e	**534.88**	494.91
Other indirect emission (Scope 3)[8]	tonne CO_2e	**14.75**	22.40
Waste	tonne	**27.42**	31.69
Total hazardous waste[9]	tonne	**0**	0
Hazardous waste intensity	tonne/employee	**0**	0
Total non-hazardous waste	tonne	**27.42**	31.69
Non-hazardous waste intensity	tonne/employee[5]	**0.11**	0.12
Use of Resources			
Total energy consumption	GJ	**4,723.36**	4,176.10
Total energy consumption intensity	GJ/revenue in million NTD[10]	**0.59**	2.79
Total direct energy consumption[11]	GJ	**887.59**	675.75
Diesel[12]	GJ	**43.63**	3.15
Unleaded Petrol	GJ	**770.84**	604.95
Natural Gas	GJ	**73.13**	67.65
Total indirect energy consumption	GJ	**3,835.76**	3,500.35
Purchased electricity	GJ	**3,835.76**	3,500.35
Water			
Water consumption	m^3	**1,735.00**	2,520.00
Water consumption intensity	m^3/revenue in million NTD	**1.16**	1.68
Packaging Material			
Packaging material	kg	**3,721.10**	4,828.21
Packaging material intensity	kg/revenue in million NTD	**2.49**	3.22

1 Air pollutant emissions of the Group are calculated based on "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx.
2 FY 2020 data has been restated to provide a more accurate reflection on the actual NOx emissions from mobile combustion.
3 FY 2020 data has been restated to provide a more accurate reflection on the actual PM emissions from mobile combustion.
4 Greenhouse gas emissions of the Group include carbon dioxide, methane, nitrous oxide. The greenhouse gas emissions are presented in CO2 equivalent emissions ("CO2e").
5 The Group has a total number of 266 employees in 2020.
6 The data includes greenhouse gas emissions from the combustion of fuels in stationary combustion sources and vehicles of the Group and is calculated based on the emission factors "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx.
7 The emission factor of electricity for FY2021 has been updated with reference to the Industrial Development Bureau, Ministry of Economic Affairs of Taiwan.
8 Emissions data relating to air travel by the employees of the Group was based on the International Civil Aviation Organization Carbon Emissions Calculator ("ICAO") and the "Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance" issued by DEFRA in the UK.
9 Due to the nature of its business, the Group does not produce material hazardous waste in its operation.
10 The total revenue of the Group in 2021 is 1497.33 million NTD.
11 Energy consumption from fossil fuels in the use of stationary combustion sources and vehicles is calculated with reference to "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx and the International Energy Agency ("IEA") energy statistics manual.
12 FY 2021 data has included a new light good vehicle leading to an increase in diesel consumption.

3. SOCIAL

Employment

The Group values the well-being of its employees and considers its staff as the most valuable asset of enterprise development. Therefore, the Group fully respects and protects the basic rights of every employee by promoting a fair and inclusive workplace. To foster a people-oriented working environment and retain our talents, the Group is committed to provide equal opportunity for all, advocates for inclusion, and promotes healthy work-life balance. These principles are stated in the Employee Handbook and applicable to all employees. As a responsible employer, the Group is operated in full compliance with the requirements of the Taiwan Labour Standards Act and relevant labour laws in other operating markets.

The Employee Handbook and the Human Resources Management Policy have stipulated the details of the employment policies and recruitment procedures that are in effect within the Group. The Group strives to ensure transparent information regarding employee obligations and rights such as employment conditions, compensation and dismissal, standard working hours, leaves and other benefits. The handbook also contains important information including the remuneration policies, employee benefits, rights on dismissal, appraisal, and benefits system. During the reporting year, the Group was not aware of any material non-compliance with employment-related laws and regulations, including but not limited to the Labour Standards Act, that would have a significant impact on the Group.

Following the guidance from the Taiwan Employee Welfare Fund Act, the Group also offers employee welfare benefits to reward those who have achieved performance expectations on the Employee Performance Appraisal. To recruit and retain talents, the Group offers competitive salary packages based on employees' qualifications, tenure, and position, which are reviewed by the Human Resources Department and specific business units. The Group has adopted a staff-oriented approach to improve employees' benefits and ensure their well-being through offering employees compassionate leaves, maternity leaves, paternity leaves, company holidays, complimentary lunches on days of operation.

The Group has invested in creating a better workplace for its employees. For example, a canteen and a staff break room have been set up in Astro Thermal's factory so that employees could relax and recharge. The factory is also equipped with lockers for employees to store their personal belongings. A range of sports facilities, such as badminton courts, basketball courts and table tennis tables, are also provided for improving employees' physical and mental health. The Group endeavours to maintain a harmonious work environment through organising various company social events, including ball game matches, a sports day and a Mid-Autumn Festival staff event, in which employees from all levels can participate. Due to the outbreak of COVID-19 pandemic, many employee activities were cancelled due to restricted social distancing measures, the Group will resume the employee relationship building events in the coming future to enhance team cohesion. The Group also closely adheres to the Taiwan Labour Insurance Act where employees enjoy labour insurance as part of their benefits. The insurance premium of labour insurance is calculated using the employee's monthly insured salary and insurance premium rate. During the COVID-19 pandemic, the Group has expanded insurance coverage for its employees, providing more comprehensive protection to its staff.

Any act of discrimination against age, race, colour, gender, ethnic background, religion, disabilities, is strictly prohibited in the workplace. The Human Resources Department has applied a standard recruitment procedure based on a fair and rigid set of selection criteria. A set of general recruitment criteria has been established to consistently provide equal opportunities to employees through a reasonable selection process, the Group continued to provide extra care and assistance to individuals with disabilities so as to assist them in pursuing their professional goals.

The Group adopts a zero-tolerance policy to sexual harassment in the workplace in accordance with the Sexual Harassment Prevention Act of Taiwan. The Group believes that sexual harassment is not limited to only inappropriate behaviour by management staff, but it also includes any inappropriate verbal or physical behaviour demonstrated in the workplace. Penalties are strictly implemented by the Group to counter any form of discrimination and sexual harassment behaviour at work. Channels of whistleblowing are put in place in every department and the complainants' anonymity and confidentiality information are guaranteed.

Health and Safety

The Group highly prioritises the occupational health and safety of its employees and actively pushes forward safety measures in the workplace. The Group recognises the importance of employee care initiatives, which are essential for achieving sustainable business. Safety policies, procedures, and control measures are continuously reviewed and enhanced by senior management to comply with the laws and regulations related to occupational health and safety, which includes the Taiwan Occupational Safety and Health Act and the Act for Protecting Workers of Occupational Accidents. The Group has taken the initiative to manage occupational hazards by reducing health and safety risks in the workplace. For instance, the Group strives to provide a safe and hazard-free working environment by implementing standardize working guidelines to increase the safety awareness of its staff to minimise threats that could cause injuries or fatal accidents. Moreover, ventilation ducts have been installed in Astro Thermal's factory to evacuate the high temperature dust particles generated during the manufacturing process of heating jackets. Essential tools and protective equipment have been provided for staffs so they could gain full protection against dust particles and debris. Apart from these measures, regular health and safety training courses on equipment operations, workplace safety, fire drills and the use of protective equipment are provided to all staff. The training materials are regularly reviewed to ensure adherence with the latest industry standards and authority guidelines.

The Group has adopted the manner of "6S" which highlights the Group's in-house management system, composed of Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Safety. The manner of "6S" is held at the core of the health and safety guidelines and all activities are centred on the corresponding philosophy. Regular safety inspections of the existing pieces of equipment, machinery and facilities are conducted by safety managers to assure that the Group's current business operations and working procedures are compliant to the health and safety standards. Weekly checks of the operational facilities have also been implemented where video footage and photographic documentation are taken and examined by the safety managers. The staff members are kept to a high standard and are expected to be aware of the internal guidelines and execute the best practices, minimise accidents and maintain a safe working environment. Throughout the year, no work fatalities were reported, and the Group will continue to seek improvements on its health and safety management measures.

The Group requires new and existing staff members to undergo health check-ups and physical examinations once every two years. Occupational health and safety management plans, work rules, a health and safety unit, and education and training opportunities to employees are all in place to ensure work safety. The Group provides national health insurance to all employees that covers also their family members, as part of their compensation and benefits.

In response to the COVID-19 pandemic, the Group has made the greatest effort in protecting the health of its employees. A dedicated focus group has been jointly formed by the Human Resources and General Administration Departments to centrally coordinate the epidemic control policies.

The focus group successfully steered a wide range of measures to care for and reduce health risk for its employees, which include:

- Employees are required to wear face mask at all times across all company premises and carry out temperature check twice a day. Slogan and warm reminders are in place to encourage staff to wash hands frequently and raise awareness in workplace to reduce health hazards.

- To keep employees abreast of the latest COVID-19 pandemic development and government announcements, thematic newsletters were distributed to employees through emails. Bulletins and quick tips are also communicated to enrich staff' hygiene knowledge. Mental health care and support is provided to help address employees' concerns over quarantine or anxiousness amid the COVID-19 pandemic.

- Work-from-home arrangement is adopted when needed to maximise epidemic prevention effectiveness. Noncritical overseas business trips are avoided where possible to protect the employees from exposure.

Development and Training

The Group embeds a stimulating atmosphere of continuous learning in the working environment to nurture employees and promote staff well-being. A range of internal trainings and development programmes are provided to employees across various levels. The Training and Development Management Manual has codified the training requirements for new and existing employees. In addition, Training and Career Development Guidance together with a series of training materials are provided to new employees to help them adapt smoothly to the Group's culture and working conditions. New joiners are required to complete all technical coaching activities within 90 days of reporting for duty. Besides, the Group has been taken further steps to assist its employees in achieving their long-term goals, current staff members are mandated to complete a minimum of 3-hours training according to their respective line of work. Business units also solicit suggestions on training areas and proposes training programmes on a regular basis to ensure that the employees receive relevant professional training for continued development. The Group also appoints management representatives to attend ISO9001 familiarisation trainings which facilitate and enhance the quality management of the Group's operation, and hence driving continue success.

All technical engineers and management staff of the Group are subject to adequate training and relevant working experience with semiconductor manufacturing equipment. Technical training catered to specific technical and other work-related and knowledge that are required for the manufacturing operation. For instance, there were 23 morning training sections offered during the reporting year, the seminar topics such as "Experience Sharing on Wafer Broken Issue", "Tape heater and SR mini system operation" and "WEE adjustment and AD Troubleshooting Lesson". The Group seeks to constantly improve technical expertise, cultivate talent while expanding business network, and in turn elevating the cost-effectiveness of providing turnkey solutions and enhancing the overall service quality.

Labour Standards

The Group considers its employees to be its greatest asset. Employment arrangements encompassing working environment, terms of employment, working hours, rest days and holidays are subjected to routine reviews to strictly align with the regulations under the Taiwan Labour Standards Act, which includes provisions for strict prohibition of child and forced labour, standard working hours and conditions of employment, minimum wage, and non-discrimination. During the recruitment process, the candidates are required to provide relevant identity documents to prevent the hiring of child labour. In order to prevent forced labour, duties and responsibilities of the position are clearly stated on the employment contract to protect the rights of employees.

The Group conducts business with utmost integrity, policies regarding labour protection, working conditions, prevention and protection from occupation hazards are clearly stipulated in the staff handbook and strictly implemented in operation. The Group strongly opposes any forms of forced labour and child labour and any occurrence of such cases is strictly prohibited within the Company. The Group reviews policies in place for new staff recruitment procedures to ensure that they are fully compliant with the requirements of national and regional regulations.

An employee welfare committee upholds the highest standards in business ethics. During this reporting year, there were no reports of significant labour disputes or non-compliance, either of which would have adversely affected the Group's reputation.

Supply Chain Management

A procurement team oversees the procurement and logistics of the business. The source of the Group's used semiconductor manufacturing equipment can be categorised into three segments: (i) overseas suppliers; (ii) other overseas used semiconductor manufacturing equipment providers; and (iii) semiconductor manufacturing equipment and parts disposed of by existing customers.

Certification to the ISO9001 and ISO14001 management standards are adopted as part of our supplier selection process and considered in addition to other selection criteria, such as pricing, quality, capacity and performance records of delivery timeliness. Supplier's performance undergoes a robust review on a regular basis. The Group conducts an annual assessment of its supply chain with site visits and phone communications to ensure that the suppliers comply and go beyond the required standards. The evaluations are based on the suppliers' performance in organisation, quality, service and technology. If a supplier fails the assessment, the Group will discontinue the transactions and the supplier is mandated to implement remedial actions and is urged to go through a re-evaluation period over the following three months.

To achieve sustainable product and service turnover, the Group monitors its inventory appropriately to cater to the needs of the Group's various operations. Operations in refurbishment, repair and maintenance services are among the services that require different parts. A work management system is in place to facilitate scheduling and timely delivery of existing parts.

During the reporting year, the Group has yet to set up the standard practices for promoting environmentally preferable products and services when selecting suppliers. Management has been reviewing the supply chain management system and relevant selection criteria of suitable suppliers, and the Group has been exploring ways to enhance its environmental procurement procedures.

Product Responsibility

The Group operates in full compliance with all the applicable local and overseas laws and regulations on production process, product safety and quality. Attaching great importance to product quality, the Group has developed relevant internal guiding policies and standard procedures to control the production process and ensured that the instructions are clearly communicated to all staff members. The Group has also established a quality control team to oversee the product quality and monitor the service process. For instance, the production equipment and raw materials for production are closely monitored throughout the production process and finished products are tested before shipping. During the reporting year, there was no incidence of non-compliance with laws and regulations pertaining to product safety and quality, advertising, labelling and privacy that have a significant impact on the Group.

To act in line with industry standards and meet the expectations from customers, the Group has incorporated ISO9001:2015 Quality Management System into its quality control system. As a result, the Group is able to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements. The product quality has also been maintained with close monitoring of the product quality at different manufacturing stages of the altering processes. The quality control team is also responsible for inspecting the appearance, size and functions of parts provided by suppliers. Those products that do not meet the required quality standards are immediately returned to the supplier for replacement or refund. With an effective quality control system over the end-to-end processes, the Group is able to maintain customer satisfaction and confidence in the deliverables. Going forward, the Group will continue to strengthen its quality management and improve its product performance.

Further to the effective quality management system, the Group has also performed regular physical and quality assurance on the materials and equipment to ascertain that their quality reaches the acceptable safety standards, and functionality testing before shipping. To provide better transparency to its clients and enhance customer satisfaction, the Group has introduced the real time progress monitoring platform for checking the equipment status and allowing clients to track the project progress. The Group has also put in place standard product quality verification and product recall procedures. During the reporting year, there was no finished products sold or shipped to customers were subject to recalls for safety and health reasons or returned.

For the refurbishment process, the quality control team and the engineering team are responsible for managing a comprehensive inspection process based on specific customer's request. Afterwards, the quality control team conducts in-house testing on all finished products based on specification and quotation procedures. The vital and final part of the process lies in the installation, where engineers perform on-site installation and testing to ensure that the machines fulfil production requirement. For products identified to have fallen short of relevant quality standards are subject to failure analysis and additional rounds of testing. Only products that fulfilled the required quality control standards are approved for customer delivery, and a warranty for each of the product is granted.

As a responsible operator, the Group fully complies with the Personal Information Protection Act and protects the confidential information of its customers. To maintain the highest level of customer information security, the Group handles all customer data and confidentiality information in a private manner and establishes non-disclosure agreements with each customer to strengthen customer privacy protection. Apart from the strategies on handling sensitive personal data, the Group has also established various communication channels to collect the feedback from its customers. With a formal mechanism on customer satisfaction analysis, the Group could better understand their feedback on the quality of our products and services. The Group has also set up a formal customer complaint handling procedure, which allows the operation department to capture, investigate and respond to specific customer complaints. Relevant improvement measures are taken to address the root causes. During the reporting year, there were no significant product or service-related complaints from customers.

The Group fully respects intellectual property rights and falls in line with the Patent Act of Taiwan. Employees are required to sign the intellectual property and confidentiality agreement with the Company to ensure that employees are fulfilling their obligations of confidentiality and non-competition in accordance with the agreements as well as recognised intellectual property laws. During the reporting year, the Group did not involve in any disputes on inventions, software copyrights and other intellectual property content.

Anti-Corruption

With integrity and ethics placed in the core of its philosophy, the Group is committed to fully comply with all the laws and regulations concerning anti-corruption. With an internal monitoring system set up to record cases of unethical conduct, the Group has integrated Anti-Bribery and Anti-Corruption Policy as a part of the Group's core strategy. All staff members are expected to fully adhere to the principles set out in the code of conduct which are clearly stated on the Employee Handbook and employees who contravene the principles will be subject to disciplinary actions. The Group strictly complies with relevant anti-corruption laws and regulations of Taiwan and Hong Kong and firmly holds zero tolerance on any form of extortion, corruption, fraud, money laundering and bribery.

In the reporting year of 2021, there were no confirmed cases regarding corrupt practices of legal proceedings, claims or disputes brought against the Group or its employees. Although the Group did not organise any anti-corruption training provided to directors and staff this year, we will review our training curriculum and strive to enhance our training on anti-corruption in the coming years.

Community Investment

As a socially responsible enterprise, the Group has been actively participated various community engagement activities and supported the social development by giving back to the communities in which it operates. Therefore, the Group is committed to supporting various community programmes and formulating its core development strategies which prioritise the interest of the society.

During the reporting year, the Group has continued to provide support the development of St. Joseph Social Welfare Foundation which is committed to provide long-term assistance to individuals with disabilities and enable them to regain a life of dignity and quality. A certificate of appreciation was awarded to the Group for the commitment to serving as a positive and enabling force. The Group has extended its contributions to improve the healthcare quality for the disabled groups and enhance the education opportunity for the disadvantaged children and youth in the form of charitable donations, which include:

- A total donation of USD5,000 to China Soong Ching Ling Foundation for one of charitable projects named "SMIC Liver Transplant Program for Children" that has funded liver transplants and medical treatments for impoverished children and increased awareness of sick children's needs from local community; and

- A total donations of NTD 480,000 to St. Joseph Social Welfare Foundation and Sacred Heart Kindergarten to support the operation and development of the learning centres for disabled individuals and local kindergartens for children.

Further to the corporate donations, the Group has encouraged its employees to actively participate in voluntary activities to community services.

Building trust in the society and creating values for stakeholders are always the ultimate goal of the Group, we therefore look forward to building a motivating and inspiring workplace to its employees, serving its customers with reliable products and services they can trust, and will actively explore charitable investment opportunities contribute to a better future by building stronger communities.

Summary of Social Performance Data

Social performance data for Genes Tech for the year ended as of 31 December 2021[1]:

	Unit	2021
Total Workforce		
Employee	number	**257**
Employee by employment type		
Regular	number	**230**
Contractual		**27**
Employee by gender		
Female	number	**126**
Male		**131**
Employee by age group		
Age under 30	number	**89**
Age between 31–50		**139**
Age 51 or above		**29**
Employee by geographical region (work location)		
Taiwan	number	**251**
Mainland China		**6**
Employee by employment category		
Management	number	**47**
General Employee		**210**
Total turnover and turnover rate		
Turnover	number	**98**
Turnover rate	%	**38%**
By gender		
Female	number (%)	**43 (44%)**
Male		**55 (56%)**
By age group		
Age under 31	number	**37**
Age between 31–50		**52**
Age 51 or above		**9**
By geographical region (work location)		
Taiwan	number	**98**

1. The Group has expanded its disclosure scope to the social performance key indicators in 2021 due to the increase in the level of disclosure obligations to "comply or explain" provision set out in the HKEx ESG Guide. Year-over-year data comparison will be effective in 2022.

	Unit	2021
Employee development and training		
Percentage of employees trained	%	**40%**
Percentage of workforce trained by gender		
Female	%	**39%**
Male		**61%**
Percentage of workforce trained by employment category		
Management	%	**11%**
General Employee		**89%**
Average training hours by gender		
Female	hours	**1.52**
Male		**2.89**
Average training hours by employment category		
Management	hours	**0.79**
General Employee		**2.54**
Supply Chain Management		
Total number of suppliers	number	**755**
Number of suppliers by geographical region		
Taiwan	number	**717**
Mainland China		**12**
South Korea		**9**
USA		**7**
Japan		**6**
Singapore		**4**
Employee Health and Safety		
Work injuries reported	number	**0**
Paid leave due to work injuries	day	**0**
Total number of workdays		**247**

Employee Health and Safety	Unit	2021	2020	2019
Work-related fatalities	number	**0**	0	0
	%	**0**	0	0

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of
Genes Tech Group Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Genes Tech Group Holdings Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 54 to 105, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Net realisable value of inventories
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories *Refer to note 2.9 and note 17 to the consolidated financial statements.* At 31 December 2021, net inventory balance of the Group amounted to approximately NTD1,596 million. The inventories are carried at the lower of cost and net realisable value. At 31 December 2021, the Group's inventory provision amounted to approximately NTD62.9 million. The Group is engaged in the provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts. Management determined the net realisable value of the inventories based on the latest selling price of similar inventory items and purchase orders from customers. We focused on this area due to significant management's judgement and estimates involved in the determination of net realisable value, and also the significance of the inventories to the Group's total assets.	Our procedures in relation to management's assessment on the net realisable value of inventories included: • Understood, evaluated and tested the key controls over net realisable value of different types of inventories; • Compared the carrying amount of the inventories, on a sample basis, to their net realisable value; • Tested, on a sampling basis, the supporting documents of latest selling prices of similar inventory items or purchase orders from customers. Based on the procedures performed, we found the management's judgement and estimates used in relation to the determination of net realisable value of inventories were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to note 2.11 and note 15 to the consolidated financial statements.* At 31 December 2021, trade receivables of the Group amounted to approximately NTD205 million. Loss allowance of approximately NTD10.4 million was recorded. The ECL model involved management's estimate of the lifetime expected credit loss to be incurred, which is estimated by taking into account various factors including the credit loss experience, ageing of overdue receivables, customers' repayment history and the ability of the customers in fulfilling their repayment obligation, as well as the current condition and forward looking information. Such estimation involved a significant degree of management judgement. We focused on this matter due to significant management's judgement and estimates involved in the impairment assessment of trade receivables.	Our procedures in relation to management's impairment assessment of trade receivables included: • Understood, evaluated and tested the Group's key controls over credit control, debt collection and estimation of expected credit losses; • For historical loss rate on a sample basis, we checked to the actual incurred loss for the past 3 years to historical accounting records and evaluated the customers' repayment history by checking to repayment records of the customers, and the ability of the customers in fulfilling their repayment obligation with reference to available market information; • Assessed management's assessment of current condition and forward-looking information with reference to our industry knowledge, market information including macroeconomic factors; • Checked, on a sample basis, the Group's trade receivables ageing report by tracing to invoices and other relevant documents. Based on the procedures performed, we found the judgement and estimation made by the management in relation to the impairment assessment of trade receivables to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Albert K. W. Lee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 NTD'000	2020 NTD'000
Revenue	5	**1,497,334**	1,497,834
Cost of sales	7	**(1,155,161)**	(1,097,910)
Gross profit		**342,173**	399,924
Other income	6	**1,022**	7,789
Other gains, net	6	**6,188**	8,709
Selling and distribution expenses	7	**(26,073)**	(28,791)
General and administrative expenses	7	**(185,724)**	(173,312)
Net impairment losses on financial assets	7	**(6,980)**	(3,444)
		130,606	210,875
Finance income	9	**100**	135
Finance costs	9	**(12,351)**	(14,384)
Profit before income tax		**118,355**	196,626
Income tax expense	10	**(38,952)**	(52,425)
Profit for the year attributable to owners of the Company		**79,403**	144,201
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		**(4,757)**	(387)
Total comprehensive income for the year attributable to owners of the Company		**74,646**	143,814
Earnings per share			
Basic and diluted (NTD cents)	11	**7.94**	14.42

The notes on pages 59 to 105 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 NTD'000	2020 NTD'000
Assets			
Non-current assets			
Property, plant and equipment	12	**306,693**	320,743
Right-of-use assets	13	**21,919**	17,069
Intangible assets	14	**107,353**	118,359
Deferred income tax assets	23	**21,841**	21,437
Deposits	16	**8,025**	8,362
		465,831	485,970
Current assets			
Inventories	17	**1,595,639**	1,507,713
Trade receivables	15	**204,936**	303,910
Prepayments, deposits and other receivables	16	**123,250**	68,720
Cash and cash equivalents	18	**172,957**	96,211
		2,096,782	1,976,554
Total assets		**2,562,613**	2,462,524
Equity			
Share capital	19	**38,815**	38,815
Reserves	20	**762,395**	731,237
Total equity		**801,210**	770,052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	Notes	2021 NTD'000	2020 NTD'000
Liabilities			
Non-current liabilities			
Bank borrowings	22	**245,049**	289,737
Lease liabilities	13	**11,799**	9,851
		256,848	299,588
Current liabilities			
Trade payables and other payables	21	**468,889**	400,782
Contract liabilities	21	**580,615**	464,586
Lease liabilities	13	**10,643**	7,539
Bank borrowings	22	**390,310**	449,385
Current income tax liabilities		**54,098**	70,592
		1,504,555	1,392,884
Total liabilities		**1,761,403**	1,692,472
Total equity and liabilities		**2,562,613**	2,462,524

The notes on pages 59 to 105 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 54 to 105 were approved by the Board of Directors on 28 March 2022 and were signed on its behalf by:

Yang Ming-Hsiang	**Wei Hung-Li**
Executive Director	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital NTD'000 (Note 19)	Share premium NTD'000 (Note 20)	Statutory reserve NTD'000 (Note 20)	Other reserve NTD'000 (Note 20)	Exchange reserve NTD'000 (Note 20)	Retained earnings NTD'000	Total equity NTD'000
At 1 January 2020	38,815	146,571	56,616	182,226	(2,966)	204,976	626,238
Profit for the year	–	–	–	–	–	144,201	144,201
Other comprehensive loss	–	–	–	–	(387)	–	(387)
Total comprehensive (loss)/income for the year	–	–	–	–	(387)	144,201	143,814
Transfer to statutory reserve	–	–	30,292	–	–	(30,292)	–
At 31 December 2020 and 1 January 2021	**38,815**	**146,571**	**86,908**	**182,226**	**(3,353)**	**318,885**	**770,052**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**79,403**	**79,403**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(4,757)**	**–**	**(4,757)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(4,757)**	**79,403**	**74,646**
Transfer to statutory reserve	**–**	**–**	**29,110**	**–**	**–**	**(29,110)**	**–**
Dividend declared	**–**	**–**	**–**	**–**	**–**	**(43,488)**	**(43,488)**
At 31 December 2021	**38,815**	**146,571**	**116,018**	**182,226**	**(8,110)**	**325,690**	**801,210**

The notes on pages 59 to 105 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 NTD'000	2020 NTD'000
Cash flows from operating activities			
Cash generated from operations	25(a)	**309,989**	87,230
Income tax paid		**(55,850)**	(23,670)
Net cash generated from operating activities		**254,139**	63,560
Cash flows from investing activities			
Purchase of intangible assets		**(80)**	(5,037)
Interest received		**100**	135
Purchase of property, plant and equipment		**(5,207)**	(32,451)
Net cash used in investing activities		**(5,187)**	(37,353)
Cash flows from financing activities			
Interest paid		**(11,767)**	(13,148)
Proceeds from bank borrowings	25(b)	**555,852**	618,139
Repayments of bank borrowings	25(b)	**(659,615)**	(657,962)
Principal elements of lease payments	25(b)	**(11,373)**	(10,394)
Interest elements of lease payments	25(b)	**(457)**	(481)
Dividend paid	25(b)	**(43,434)**	–
Net cash used in financing activities		**(170,794)**	(63,846)
Net increase/(decrease) in cash and cash equivalents		**78,158**	(37,639)
Cash and cash equivalents at beginning of year		**96,211**	137,349
Effect of foreign exchange rate changes		**(1,412)**	(3,499)
Cash and cash equivalents at end of year		**172,957**	96,211
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents	18	**172,957**	96,211

The notes on pages 59 to 105 are an integral part of the consolidated financial statements.

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.

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
Interests held directly				
Genes Tech (Hong Kong) Co. Limited	Incorporated in Hong Kong on 13 April 2018 as a limited liability company	100 ordinary shares of Hong Kong dollar ("HK$") 1 each	100%	Investment holding, Hong Kong
Top Lucky International Limited	Incorporated in Hong Kong on 26 March 2018 as a limited liability company	100 ordinary shares of HK$1 each	100%	Investment holding, Hong Kong
Top Vitality Limited ("Top Vitality")	Incorporated in Anguilla on 28 April 2016 as a limited liability company	1,000,000 ordinary shares of United States dollar ("USD") 1 each	100%	Investment holding, Anguilla
Interests held indirectly				
靖洋科技股份有限公司 Genes Tech Co. Limited* ("Genes Tech")	Incorporated in Taiwan on 28 December 2009 as a limited liability company	15,000,000 ordinary shares of New Taiwan dollars ("NTD") 10 each	100%	Provision of turnkey solution and trading of semiconductor manufacturing equipment and parts, Taiwan
崇濬科技股份有限公司 Astro Thermal Technology Corporation* ("Astro Thermal Technology")	Incorporated in Taiwan on 27 July 2009 as a limited liability company	1,500,000 ordinary shares of NTD10 each	100%	Manufacturing and sale of heating jackets, Taiwan
上海靖洹科技有限公司 SHANGHAI GENES TECH CO., LTD. *	Incorporated in PRC on 12 May 2020 as a limited liability company	USD300,000/ RMB20,000,000	100%	Provision of turnkey solution and trading of semiconductor manufacturing equipment and parts, PRC

* The English name of the subsidiary established in Taiwan and PRC represent the management's best effort in translating the Chinese name of such subsidiary as no English name has been registered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Standards	Subject of amendment
Interest Rate Benchmark Reform — Phase 2	Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16
HKFRS 16 Covid-19-Related Rent Concessions	Amendments to HKFRS 16

The adoption of other new and amended standards did not have any material impact on the current period or any prior periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards and interpretations not yet adopted by the Group

The following new standards, new interpretations and amended standards have been issued but are not effective for financial year beginning on 1 January 2021 and have not been early adopted by the Group.

		Effective for annual reporting periods beginning on or after
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Contributions	1 January 2022
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	HKFRS17	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK-Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the new standards, new interpretations and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amended standards and new interpretations, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combination *(Continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in NTD, while the functional currency of the Company is HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated at foreign currencies at year-end exchange rates are generally recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as part of the fair value gains or losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.6 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Freehold land is measured on initial recognition at cost and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less their expected residual values, using straight-line method, over their estimated useful lives, at the following rates per annum:

Building on freehold land	50 years
Leasehold improvements	3–10 years
Office equipment	3–10 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The estimated useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the estimated useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(a) Goodwill

Goodwill is measured as described in note 2.3 Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

(b) Computer software

Computer software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 5 years of the underlying products, commencing from the date when the products are put into commercial production.

(c) Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date. It has an estimated useful life of 6 years and is subsequently carried at cost less accumulated amortisation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets *(Continued)*

(d) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	1–3 years
Customer relationship	6 years

2.8 Impairment of non-financial assets

Goodwill are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, and an appropriate proportion of indirect expenses. Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets

(a) Classification

The Group classifies its financial assets as "financial assets" at amortised cost. These assets include "trade receivables", "deposits", "other receivables" and "cash and cash equivalents".

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 15 for further details.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.10 for further information about the Group's accounting for trade and other receivables and note 3.1(b) for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and cash on hand.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.16 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date. Non-accumulating compensated absences are not recognised until the time of leave.

Pension obligations

The employees of the Group's major subsidiary which operates in Taiwan are required to participate in a central pension scheme operated by the local government authority. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Revenue recognition

(a) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the provision of turnkey solution and trading of the used semiconductor manufacturing equipment and parts is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Contract liabilities are recognised if the cumulative payments made by customers exceeds the revenue recognised in profit or loss. Contract liabilities are recognised as revenue when the control of the products have been transferred to the customers at their acknowledgment and performance obligation is fulfilled.

(b) Interest income

Interest income from bank deposits calculated using the effective interest method is recognised in the consolidated statement of comprehensive income.

2.18 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Other borrowing costs are expensed when incurred.

2.19 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Leases *(Continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Income tax

Income tax comprises current income tax and deferred tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Customers have the right of return within one year according to the relevant agreements with customers. The Group typically performs tests of its products prior to shipment. Occasionally, product tests performed after shipment identify yields below the level agreed with the customer. In those circumstances, there may be price reduction to reimburse or for the costs to return products and to ship replacement products to the customer. The Group estimates the amount of sales returns and the cost of replacement products based on the historical information as well as current information that is available to the Group.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge the risk exposures.

Financial risk management is carried out by the finance department under the supervision of the Chief Executive Officer ("CEO") of the Company. The CEO provides principles for overall risk management.

The Group mainly operates in Taiwan. Certain of the transactions for Taiwan reporting entity are denominated in United States Dollar ("USD"), and Hong Kong Dollar ("HK$") and Japanese Yen ("JPY"). Moreover, certain cash and cash equivalents, trade and other receivables, trade and other payables are denominated in foreign currencies, which expose the Group to foreign exchange risk, with respect of USD, HK$ and JPY. The table below analyses the sensitivity of profit or loss to changes in the exchange rates by 5% of NTD against USD, HK$ and JPY.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

	2021 NTD'000	2020 NTD'000
If NTD has depreciated by 5% against foreign currencies:		
Net profit increase/(decrease)		
— USD	**5,164**	2,535
— HK$	**(294)**	(319)
— JPY	**(197)**	136
If NTD has appreciated by 5% against foreign currencies:		
Net profit (decrease)/increase		
— USD	**(5,164)**	(2,535)
— HK$	**294**	319
— JPY	**197**	(136)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of change in market interest rates. The Group's interest-rate risk arises from cash at banks balance and borrowings at floating rates. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Details of the Group's borrowings have been disclosed in note 22.

As at 31 December 2021 and 2020, if interest rate had been 10 basis points higher/lower with all other variables held constant, the profit before tax for the year would have been approximately NTD465,000 lower/higher (2020: NTD645,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from cash and cash equivalents (excluding cash on hand) and deposits with banks and trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Risk management

As at 31 December 2021, for cash and cash equivalents (excluding cash on hand), deposits with banks, they are all deposited with listed banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

As at 31 December 2021, top 5 customers of the Group accounted for approximately 59% (2020: 68%), of the trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records of past 3 years, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- deposits and other receivables

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on the nature of customer accounts, shared credit risk characteristics and the days past due.

Movement in loss allowances for trade receivables are as follows:

	2021 NTD'000	2020 NTD'000
At beginning of year	**3,444**	–
Increase in loss allowance recognised in profit or loss during the year	**6,980**	3,444
At end of year	**10,424**	3,444

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

Impairment losses on trade receivables are presented as net impairment losses within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Deposits and other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is close to zero.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balance within 12 months equal their carrying balances as impact at discounting is not significant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Within 1 year or on demand NTD'000	1–2 years NTD'000	2–5 years NTD'000	More than 5 years NTD'000	Total contractual cash flows NTD'000	Carrying amount NTD'000
As at 31 December 2021						
Trade payables	327,318	–	–	–	327,318	327,318
Other payables and accruals	122,625	–	–	–	122,625	122,625
Bank borrowings and interest payments	398,849	49,277	142,573	68,762	659,461	635,359
Lease liabilities	13,896	8,190	4,007	–	26,093	22,442
	862,688	57,467	146,580	68,762	1,135,497	1,107,744

	Within 1 year or on demand NTD'000	1–2 years NTD'000	2–5 years NTD'000	More than 5 years NTD'000	Total contractual cash flows NTD'000	Carrying amount NTD'000
As at 31 December 2020						
Trade payables	254,187	–	–	–	254,187	254,187
Other payables and accruals	123,380	–	–	–	123,380	123,380
Bank borrowings and interest payments	458,820	50,555	145,603	115,277	770,255	739,122
Lease liabilities	7,673	4,737	5,404	–	17,814	17,390
	844,060	55,292	151,007	115,277	1,165,636	1,134,079

3.2 Capital management

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

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

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

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

The Group was in a net debt position as at 31 December 2021 and 2020. The Group's gearing ratio, as calculated by dividing the Group's net debt, bank borrowings less cash and cash equivalents, by the Group's total equity, as at 31 December 2021 is approximately 57.71% (2020: 83.49%).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

3.4 Offsetting financial assets and financial liabilities

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

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 reporting period, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 14.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 14.

Impairment of receivables

The loss allowance for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Allowance for inventories

Management carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance.

If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory ageing analysis at the end of reporting period. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

Estimated current tax and deferred tax

The Group is subject to taxes in different jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

The Group has certain sales made to the customers located in the People's Republic of China (the "PRC"), in which there are relevant tax regulation governing the provision of incidental services on the sales of machinery or equipment by a non-PRC resident enterprise to a PRC resident enterprise. However, the Group is not obliged to any tax reporting nor filing requirements to the local tax authority in the PRC. In addition, the Group has certain sales made to the customers located in the United States, South Korea and Singapore. However, the Group does not have any branches, physical offices or corporate entities in these three countries and/or the risk that the installation and modification work would trigger any sales becoming taxable. Accordingly, the management of the Group exercises considerable judgement in determining no provision of the relevant enterprise income tax relating to the sales made to the customers located in the PRC, the United States, South Korea and Singapore is required as there is no present obligation, whether legal or constructive, as a result of past event for the year.

Provision for warranty

Warranty provision is based on the estimated cost of product warranties when revenue is recognised, usually within a period of six months to not more than twelve months from the date of sale. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate.

5 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 years, executive directors of the Company regularly review revenue and operating results derived from provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

	2021 NTD'000	2020 NTD'000
Provision of turnkey solution	**874,827**	992,064
Trading of used semiconductor manufacturing equipment and parts	**622,507**	505,770
Revenue recognised at a point in time	**1,497,334**	1,497,834

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.

	2021 NTD'000	2020 NTD'000
Taiwan (place of domicile)	**862,287**	983,392
PRC	**354,193**	316,682
Singapore	**196,617**	50,983
United States	**79,380**	145,053
South Korea	**4,040**	830
Japan	**706**	652
Other countries	**111**	242
	1,497,334	1,497,834

Information about major customers

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

	2021 NTD'000	2020 NTD'000
Customers		
A	**271,017**	228,286
B	**214,218**	187,593
C	**185,142**	267,964
D	**N/A***	188,132

* The corresponding customer did not contribute over 10% of total revenue of the Group in 2021.

6 OTHER INCOME AND OTHER GAINS, NET

	2021 NTD'000	2020 NTD'000
Other income		
Sundry income	1,022	30
Government grants (Note)	–	7,759
	1,022	7,789
Other gains, net		
Exchange gains, net	6,188	8,705
Others	–	4
	6,188	8,709

Note: These government grants were mainly provided by the Industrial Development Bureau of Taiwan to the Group to support the Group's employment and operations during COVID-19.

7 EXPENSES BY NATURE

	2021 NTD'000	2020 NTD'000
Auditors' remuneration		
— Audit services	9,693	10,193
— Non-audit services (note (a))	–	3,596
Cost of materials used	875,566	866,377
Amortisation of intangible assets (note (b))	11,388	10,338
Depreciation of property, plant and equipment (note (c))	19,242	15,845
Depreciation of right-of-use assets	12,032	11,074
Research expense	1,500	1,078
Provision for/(reversal of provision for) warranty, net (note 21(b))	16,714	(371)
Provision for impairment loss on inventories	20,674	–
Employee benefit expenses (note 8)	262,233	233,365
Professional fees	11,333	26,911
Commission fee	21,223	19,042
Provision for impairment loss on trade receivables	6,980	3,444
Expense relating to short-term leases	2,874	1,094
Delivery charges	14,932	18,021
Travelling	25,054	22,607
Insurance	22,976	21,354
Entertainment	2,656	2,339
Utilities	4,175	3,192
Others	32,693	33,958
	1,373,938	1,303,457

Notes:

(a) Non-audit services for the 12 months ended 31 December 2020 represent the services provided by the Company's auditor for its service for the proposed transfer from GEM to Main Board of the Stock Exchange.

(b) Amortisation of intangible assets is included in "General and administrative expenses".

(c) Depreciation of property, plant and equipment is included in "Cost of sales" and "General and administrative expenses", amounting to approximately NTD10,031,000 (2020: NTD7,634,000) and NTD9,211,000 (2020: NTD 8,211,000), respectively.

8 EMPLOYEE BENEFIT EXPENSES

	2021 NTD'000	2020 NTD'000
Basic salaries, other allowances and benefits in kind	**254,059**	225,031
Pension costs — defined contribution scheme (note (a))	**8,174**	8,334
	262,233	233,365

The amounts include the employee benefits expenses capitalised in inventories during the years ended 31 December 2020 and 2021.

(a) Pension costs — defined contribution scheme

In respect of the Group's contribution to defined contribution retirement plan, no contribution is available for reducing the Group's existing level of contribution for the year (2020: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2020: four) executive directors whose emoluments are reflected in the analysis shown in note 29. The emoluments of the remaining one (2020: one) individual during the year are as follows:

	2021 NTD'000	2020 NTD'000
Basic salaries, other allowances and benefits in kind	**2,545**	2,326
Pension costs — defined contribution scheme	**102**	95
	2,647	2,421

The emoluments of the remaining individual fell within the following band:

	Number of individuals	
	2021	2020
Nil to HK$1,000,000 (equivalent to approximately NTD3,589,000)	**1**	1

(c) During the year, no emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office (2020: Nil).

9 FINANCE INCOME AND COSTS

	2021 NTD'000	2020 NTD'000
Finance income		
Bank interest income	**100**	135
Finance costs		
Interest on bank borrowings	**(11,894)**	(13,903)
Interest on lease liabilities	**(457)**	(481)
	(12,351)	(14,384)
Net finance costs	**(12,251)**	(14,249)

10 INCOME TAX EXPENSE

	2021 NTD'000	2020 NTD'000
Current tax — Taiwan		
Current tax on profits for the year	**35,255**	59,295
Reversal of income tax on the undistributed surplus earnings	**(7,500)**	(2,720)
Over-provision in prior years	**(999)**	(2,070)
	26,756	54,505
Withholding tax (Note)	**12,600**	–
Deferred income tax	**(404)**	(2,080)
Income tax expense	**38,952**	52,425

Note: Withholding tax of NTD12,600,000 relates to dividend distributed by Genes Tech Co. Limited to its immediate holding company, Top Vitality Limited, during the year ended 31 December 2021.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The Legislative Yuan passed its third reading of Amendments to the Income Tax Act for Taiwan income tax rate and additional income tax rate on 18 January 2018 and took effect on 1 January 2018. As such, Taiwan Income Tax is calculated at 20% (2020: 20%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and Anguilla, neither the Company nor any of its subsidiaries is subject to any income tax under the jurisdictions during the year (2020: Nil).

Further pursuant to the Article 66-9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, Taiwan, an additional income tax shall be charged at 5% (2020: 5%) on the undistributed surplus earnings in prior year.

10 INCOME TAX EXPENSE *(Continued)*

Reconciliation between income tax expense and profit before income tax at applicable tax rate is as follows:

	2021 **NTD'000**	2020 NTD'000
Profit before income tax	**118,355**	196,626
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**34,016**	57,863
Income not subject to tax	**(71)**	(71)
Expense not deductible for tax purpose	**372**	200
Over-provision in prior years	**(999)**	(2,070)
Reversal of income tax on the undistributed surplus earnings	**(7,500)**	(2,720)
Withholding tax	**12,600**	–
Difference in tax rate over current tax and deferred tax	**(73)**	(375)
Others	**607**	(402)
Income tax expense	**38,952**	52,425

11 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the year attributable to owners of the Company of approximately NTD79,403,000 (2020: approximately NTD144,201,000) and the weighted average of 1,000,000,000 (2020: 1,000,000,000) shares in issue during the year.

	2021	2020
Profit for the year attributable to owners of the Company (NTD'000)	**79,403**	144,201
Weighted average number of ordinary shares in issue (thousands)	**1,000,000**	1,000,000
Basic earnings per share (NTD cents per share)	**7.94**	14.42

(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 years.

12 PROPERTY, PLANT AND EQUIPMENT

	Land* NTD'000	Building NTD'000	Leasehold improvements NTD'000	Office equipment NTD'000	Construction in progress NTD'000	Total NTD'000
At 1 January 2020						
Cost	68,983	159,019	33,072	47,818	70,933	379,825
Accumulated depreciation	–	(21,970)	(20,088)	(33,590)	–	(75,648)
Net book amount	68,983	137,049	12,984	14,228	70,933	304,177
Year ended 31 December 2020						
Opening net book amount	68,983	137,049	12,984	14,228	70,933	304,177
Additions	–	–	26,043	4,463	1,905	32,411
Depreciation charge	–	(3,933)	(4,940)	(6,972)	–	(15,845)
Reclassification	–	69,524	1,169	240	(70,933)	–
Closing net book amount	68,983	202,640	35,256	11,959	1,905	320,743
At 31 December 2020						
Cost	68,983	228,543	60,284	52,521	1,905	412,236
Accumulated depreciation	–	(25,903)	(25,028)	(40,562)	–	(91,493)
Net book amount	68,983	202,640	35,256	11,959	1,905	320,743
Year ended 31 December 2021						
Opening net book amount	**68,983**	**202,640**	**35,256**	**11,959**	**1,905**	**320,743**
Additions	**–**	**–**	**2,102**	**3,090**	**–**	**5,192**
Depreciation charge	**–**	**(4,513)**	**(7,609)**	**(7,120)**	**–**	**(19,242)**
Transfer	**–**	**–**	**1,905**	**–**	**(1,905)**	**–**
Closing net book amount	**68,983**	**198,127**	**31,654**	**7,929**	**–**	**306,693**
At 31 December 2021						
Cost	**68,983**	**228,543**	**64,011**	**48,587**	**–**	**410,124**
Accumulated depreciation	**–**	**(30,416)**	**(32,357)**	**(40,658)**	**–**	**(103,431)**
Net book amount	**68,983**	**198,127**	**31,654**	**7,929**	**–**	**306,693**

* The Group's land is located in Taiwan and is a freehold land.

Land and building with an aggregate carrying amount of approximately NTD267,110,000 (2020: approximately NTD271,623,000) of the Group were pledged to a bank to secure banking facilities granted to the Group (note 22).

13 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	NTD'000	NTD'000
Right-of-use assets		
Beginning of financial year	**17,069**	23,733
Additions	**16,882**	4,660
Disposal upon early termination	**–**	(250)
Depreciation	**(12,032)**	(11,074)
End of financial year	**21,919**	17,069

	As at 31 December	
	2021	2020
	NTD'000	NTD'000
Cost	**35,320**	33,588
Accumulated depreciation	**(13,401)**	(16,519)
	21,919	17,069

	As at 31 December	
	2021	2020
	NTD'000	NTD'000
Properties	**14,080**	11,552
Motor vehicles	**7,839**	5,517
	21,919	17,069

13 LEASES *(Continued)*

(a) Amounts recognised in the consolidated statement of financial position *(Continued)*

	As at 31 December	
	2021 **NTD'000**	2020 NTD'000
Lease liabilities		
Current	**10,643**	7,539
Non-current	**11,799**	9,851
	22,442	17,390

(b) Amounts recognised in the consolidated statement of comprehensive income

	For the year ended 31 December	
	2021 **NTD'000**	2020 NTD'000
Depreciation charge of right-of-use assets		
Properties	**6,661**	6,475
Motor vehicles	**5,371**	4,599
	12,032	11,074
Interest expense included in finance cost	**457**	481
Expenses relating to short-term leases	**2,874**	1,094

The total cash outflow for leases was NTD11,373,000 (2020: NTD10,394,000) during the year ended 31 December 2021.

14 INTANGIBLE ASSETS

	Goodwill NTD'000	Customer relationship NTD'000	Computer software NTD'000	Total NTD'000
At 1 January 2020				
Cost	72,920	56,440	5,550	134,910
Accumulated amortisation	–	(6,271)	(4,979)	(11,250)
Net book amount	72,920	50,169	571	123,660
Year ended 31 December 2020				
Opening net book amount	72,920	50,169	571	123,660
Additions	–	–	5,037	5,037
Amortisation charge	–	(9,407)	(931)	(10,338)
Closing net book amount	72,920	40,762	4,677	118,359
At 31 December 2020				
Cost	72,920	56,440	10,587	139,947
Accumulated amortisation	–	(15,678)	(5,910)	(21,588)
Net book amount	72,920	40,762	4,677	118,359
Year ended 31 December 2021				
Opening net book amount	**72,920**	**40,762**	**4,677**	**118,359**
Additions	**–**	**–**	**382**	**382**
Amortisation charge	**–**	**(9,407)**	**(1,981)**	**(11,388)**
Closing net book amount	**72,920**	**31,355**	**3,078**	**107,353**
At 31 December 2021				
Cost	**72,920**	**56,440**	**5,059**	**134,419**
Accumulated amortisation	**–**	**(25,085)**	**(1,981)**	**(27,066)**
Net book amount	**72,920**	**31,355**	**3,078**	**107,353**

14 INTANGIBLE ASSETS *(Continued)*

Impairment tests for goodwill

Management reviews the business performance of the Group based on the products and services the respective businesses provide. Trading of used semiconductor manufacturing equipment and parts and provision of turnkey solution are identified as the main products and services of the Group. Goodwill is monitored by management at the operating segment level. The Group's goodwill is attributable to the provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts.

The recoverable amount of a CGU is determined based on higher of fair value less costs of disposal or value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. Cash flows beyond the one-year period are projected for the next four-year period using the estimated growth in revenue and gross profit margin. Thereafter, the cash flows are extrapolated using the terminal growth rates not exceeding the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2021	2020
Budgeted gross profit margin for the first year	**32.3%**	33.4%
Forecasted average gross profit margin for second to fifth year	**32.3%**	35.3%
Budgeted revenue growth rate for the first year	**3.7%**	2.6%
Forecasted average revenue growth rate for second to fifth year	**1.5%**	1.4%
Terminal growth rate	**1.5%**	1.4%
Discount rate (pre-tax)	**25.6%**	25.6%

Assumption	**Approach used to determining values**
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Based on current industry trends and including long term inflation forecasts.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

14 INTANGIBLE ASSETS *(Continued)*

Impairment tests for goodwill *(Continued)*

The recoverable amount of goodwill is estimated to exceed the carrying amount of goodwill at 31 December 2021 by approximately NTD309,152,000 (2020: NTD337,007,000).

The recoverable amount of goodwill would equal its carrying amount if the key assumptions were to change as follows:

	2021		2020	
	From	To	From	To
Sales volume (% annual growth rate)	1.9%	-17.9%	1.6%	-29.4%
Budgeted gross margin (%)	32.3%	21.6%	34.9%	17.4%
Pre-tax discount rate (%)	25.6%	47.1%	25.6%	41.1%

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of goodwill to exceed its recoverable amount.

15 TRADE RECEIVABLES

	2021 NTD'000	2020 NTD'000
Trade receivables	215,360	307,354
Less: provision for impairment	(10,424)	(3,444)
	204,936	303,910

The Group normally allows credit period ranging from 30 to 90 days (2020: 30 to 90 days) to its major customers.

The Group applies the HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables. The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The Group did not hold any collateral as security or other credit enhancements over the trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

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

	2021 NTD'000	2020 NTD'000
0–30 days	116,057	166,747
31–90 days	67,226	91,448
91–180 days	11,321	10,206
181–365 days	7,388	32,682
Over 1 year	2,944	2,827
	204,936	303,910

15 TRADE RECEIVABLES *(Continued)*

Certain of the Group's trade receivables are unbilled and included in the time band of 0–30 days in the table above.

The carrying amount of the Group's trade receivables is denominated in the following currencies:

	2021 NTD'000	2020 NTD'000
NTD	**108,475**	141,378
USD	**93,951**	162,532
RMB	**2,510**	–
	204,936	303,910

As at 31 December 2021, NTD10,424,000 of impairment loss allowance has been provided (2020: NTD3,444,000).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 NTD'000	2020 NTD'000
Prepayment on purchases	**111,755**	56,764
Other prepayments	**7,573**	8,544
Deposits and other receivables	**11,947**	11,774
	131,275	77,082
Less: non-current deposits	**(8,025)**	(8,362)
Current portion included in current assets	**123,250**	68,720

The carrying amount of the Group's prepayments, deposits, other receivables are denominated in the following currencies:

	2021 NTD'000	2020 NTD'000
USD	**97,568**	44,042
NTD	**29,723**	26,267
RMB	**2,465**	–
HK$	**1,507**	1,221
JPY	**12**	4,106
Others	**–**	1,446
	131,275	77,082

As at 31 December 2020 and 2021, the carrying amounts of non-current deposits approximate to their fair value.

17 INVENTORIES

	2021 NTD'000	2020 NTD'000
Raw materials	**777,051**	853,922
Work in progress	**563,665**	435,372
Finished goods	**317,840**	260,662
	1,658,556	1,549,956
Less: Provision for impairment loss on inventories	**(62,917)**	(42,243)
	1,595,639	1,507,713

The cost of inventories recognised as expense and included in cost of sales amounted to approximately NTD875,566,000 (2020: approximately NTD866,377,000) for the year ended 31 December 2021.

Provision for inventories of NTD20,674,000 were charged to the consolidated statement of comprehensive income during the year ended 31 December 2021 (2020: Nil).

18 CASH AND CASH EQUIVALENTS

	2021 NTD'000	2020 NTD'000
Cash at banks	**170,817**	94,238
Cash on hand	**2,140**	1,973
	172,957	96,211

Cash and cash equivalents are denominated in the following currencies:

	2021 NTD'000	2020 NTD'000
NTD	**75,605**	27,540
USD	**95,959**	67,357
HK$	**333**	190
Others	**1,060**	1,124
	172,957	96,211

The effective annual interest rate on cash at bank was 0.08% (2020: 0.24%) per annum for the year ended 31 December 2021.

19 SHARE CAPITAL

	Number of Shares	Share capital NTD'000
Authorised:		
Ordinary shares of HK$0.01 each in the share capital of the Company	2,000,000,000	77,630
As at 31 December 2021	**2,000,000,000**	**77,630**

	Number of Shares	Share capital NTD'000
Issued and fully paid		
As at 1 January 2020, 31 December 2020 and 1 January 2021	1,000,000,000	38,815
As at 31 December 2021	**1,000,000,000**	**38,815**

20 RESERVES

Share premium

The share premium account of the Company includes the premium arising from the issue of new shares pursuant to the share offer net of expenses incurred in connection with the issue of shares upon share offer.

Statutory reserve

In accordance with the Taiwan Companies Act, the Company's principal subsidiary incorporated in Taiwan is required to appropriate 10% of the annual profit after income tax and (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in Taiwan to the statutory reserve until the balance of the reserve fund reaches the amount equal to the entity's registered capital. The reserve may be (i) used to offset a deficit, or (ii) distributed as dividends in cash or shares for the portion in excess of 25% of the paid-in capital if the entity incurs no loss.

Other reserve

Other reserve represents the capital reserve, which is the difference between the nominal value of the share capital of subsidiaries acquired by Genes Tech Group in prior years and the consideration paid to the then shareholders of those subsidiaries.

Exchange reserve

The exchange reserve represents the exchange differences relating to the translation of the net assets of the Company from its functional currency in HK$ to the Group's presentation currency in NTD. The exchange differences are recognised directly in other comprehensive income and accumulated in the exchange reserve.

21 TRADE AND OTHER PAYABLES

	2021 NTD'000	2020 NTD'000
Trade payables (note (a))	**327,318**	254,187
Other payables	**1,283**	1,180
Accruals	**121,342**	122,200
Provision for warranty (note (b))	**18,946**	23,215
	468,889	400,782
Contract liabilities (note (c))	**580,615**	464,586

The carrying amounts of trade payable, other payables and accruals approximate to their fair values and were denominated in the following currencies:

	2021 NTD'000	2020 NTD'000
NTD	**344,906**	295,882
USD	**93,471**	71,169
HKD	**9,526**	9,754
Others	**2,040**	762
	449,943	377,567

(a) Trade payables

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

	2021 NTD'000	2020 NTD'000
Current or less than 1 month	**152,282**	116,575
1 to 3 months	**97,494**	65,103
More than 3 months to 1 year	**58,594**	54,002
More than 1 year	**18,948**	18,507
	327,318	254,187

21 TRADE AND OTHER PAYABLES *(Continued)*

(b) Provision for warranty

	NTD'000
As at 1 January 2020	35,294
Additional provision	29,021
Utilised during the year	(11,708)
Reversal during the year	(29,392)
As at 31 December 2020 and 1 January 2021	23,215
Additional provision	30,408
Utilised during the year	(20,983)
Reversal during the year	(13,694)
As at 31 December 2021	18,946

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

(c) Contract liabilities

The Group receives payments from certain customers in advance of the performance under the contracts.

	Year ended 31 December 2021 NTD'000	Year ended 31 December 2020 NTD'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**286,734**	431,268

Contract liabilities are recognised if the cumulative payments made by customers exceeds the revenue recognised in profit or loss. Contract liabilities are recognised as revenue when the control of the products have been transferred to the customers at their acknowledgement and performance obligation is fulfilled.

Contract liabilities have increased by approximately NTD116,029,000 as at 31 December 2021 due to more deposits received from customers. The amount is expected to be recognised as revenue within one to two financial years.

22 BANK BORROWINGS

	31 December 2021			31 December 2020		
	Current NTD'000	Non-current NTD'000	Total NTD'000	Current NTD'000	Non-current NTD'000	Total NTD'000
Secured						
Bank borrowings (note (a))	262,000	–	262,000	262,000	–	262,000
Long-term bank borrowings (note (b))	10,402	93,621	104,023	10,402	104,023	114,425
Total secured borrowings	272,402	93,621	366,023	272,402	104,023	376,425
Unsecured						
Bank borrowings (note (c))	83,622	–	83,622	159,840	–	159,840
Long-term bank borrowings (note (d))	34,286	151,428	185,714	17,143	185,714	202,857
Total unsecured borrowings	117,908	151,428	269,336	176,983	185,714	362,697
Total borrowings	390,310	245,049	635,359	449,385	289,737	739,122

Notes:

(a) As at 31 December 2021 the short-term borrowing represent two loans. One loan has a principal amount of NTD175,000,000, and is secured by land and building of the Group (note 12). It bears interest at 0.84% above the variable interest rate for one-year post office deposits per annum and repayable on maturity date. The other loan has a principal amount of NTD87,000,000, and is also secured by land and building of the Group (note 12). It bears interest at 0.66% above the bank's variable interest rate for one-year deposits per annum and repayable on maturity date.

(b) As at 31 December 2021, the long-term borrowings represent two loans with principal amount of NTD25,000,000 and NTD125,000,000, respectively. These borrowings bear interest at 0.74% above the variable interest rate for one-year post office deposits per annum and are repayable in 145 and 180 monthly installments, respectively. These borrowings are secured by land and building of the Group (note 12).

(c) The unsecured bank borrowings are carried at amortised cost. Out of the amount, NTD20,000,000 bear interest at 1.13% above the bank's interest rate for one-month deposits per annum. The remaining borrowings bear interest at rate 0.6% to 2% above the bank's foreign currency interest rate per annum as at 31 December 2021.

(d) The unsecured borrowings with a principal amount of NTD240,000,000 bear interest at 1.34% above the variable interest rate for one-year post office deposits per annum and is repayable in 84 monthly installments.

22 BANK BORROWINGS *(Continued)*

The bank interests are charged at rate ranging from 0.79% to 2.40% (2020: 0.89% to 2.15%) per annum as at 31 December 2021.

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

	2021 NTD'000	2020 NTD'000
Within 1 year	**390,310**	449,385
More than 1 year, but not exceeding 2 years	**44,688**	44,688
More than 2 years, but not exceeding 5 years	**134,064**	134,064
After 5 years	**66,297**	110,985
	635,359	739,122

The carrying amounts of bank borrowings were denominated in the following currencies:

	2021 NTD'000	2020 NTD'000
NTD	**571,737**	599,282
USD	**58,835**	139,840
JPY	**4,787**	–
	635,359	739,122

The Group has undrawn borrowing facilities of NTD277,146,000 (2020: NTD195,019,000).

As at 31 December 2021 and 2020, the carrying amounts of current and non-current borrowings approximate to their fair values.

23 DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and deferred tax liabilities have been offset.

	2021 NTD'000	2020 NTD'000
Deferred income tax assets	**32,606**	35,745
Deferred income tax liabilities	**(10,765)**	(14,308)
Deferred income tax assets, net	**21,841**	21,437

The movements of the deferred tax assets/(liabilities) during the year are shown as follows:

	Deferred tax liabilities			Deferred tax assets						
	Customers relationship NTD'000	Right-of-use assets NTD'000	Unrealised exchange difference NTD'000	Lease liabilities NTD'000	Provision for obsolete inventories NTD'000	Provision of warranty NTD'000	Provision for expected credit loss NTD'000	Timing differences in recognising gross profits NTD'000	Others NTD'000	Total NTD'000
At 1 January 2020	(11,840)	(4,747)	(395)	4,771	8,448	7,059	–	14,397	1,664	19,357
Credited/(Charged) to profit or loss: due to changes in timing difference	3,687	1,333	(2,346)	(1,293)	–	(2,416)	689	2,721	(295)	2,080
At 31 December 2020	(8,153)	(3,414)	(2,741)	3,478	8,448	4,643	689	17,118	1,369	21,437
Credited/(Charged) to profit or loss: due to changes in timing difference	1,882	(970)	2,631	1,010	4,136	(854)	1,395	(8,832)	6	404
At 31 December 2021	**(6,271)**	**(4,384)**	**(110)**	**4,488**	**12,584**	**3,789**	**2,084**	**8,286**	**1,375**	**21,841**

Management intended to reinvest the subsidiary's earnings and therefore no deferred tax is provided for undistributed profits of subsidiary.

As at 31 December 2021, the Group had no significant unprovided deferred taxation (2020: Nil).

24 DIVIDENDS

	2021 NTD'000	2020 NTD'000
Final dividend of Nil per share (2020: HK$0.012 per share)	–	43,488

Subsequent to the end of the reporting period of 2020, a final dividend of HK$12,000,000 (equivalent to NTD43,488,000) or HK$0.012 (equivalent to approximately NTD0.04) per share in respect of the year ended 31 December 2020 has been proposed and paid.

25 CASH FLOW INFORMATION

(a) Cash generated from operations

	2021 NTD'000	2020 NTD'000
Cash flows from operation activities		
Profit before income tax	**118,355**	196,626
Adjustments for:		
— Interest expenses	**12,351**	14,384
— Interest income	**(100)**	(135)
— Provision for/(reversal of provision for) warranty, net	**16,714**	(371)
— Provision for impairment loss on trade receivables	**6,980**	3,444
— Provision for impairment loss on inventories	**20,674**	–
— Amortisation of intangible assets	**11,388**	10,338
— Depreciation of property, plant and equipment	**19,242**	15,845
— Depreciation of right-of-use assets	**12,032**	11,074
	217,636	251,205
Changes in working capital:		
— Increase in inventories	**(108,600)**	(1,139)
— Decrease/(increase) in trade receivables	**91,994**	(51,785)
— (Increase)/decrease in prepayments, deposits and other receivables	**(54,193)**	46,288
— Increase/(decrease) in contract liabilities	**112,684**	(78,195)
— Increase/(decrease) in trade and other payables	**50,468**	(79,144)
Cash generated from operations	**309,989**	87,230

25 CASH FLOW INFORMATION (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2021 NTD'000	2020 NTD'000
Cash/(debt)		
Cash and cash equivalents	**172,957**	96,211
Borrowings	**(635,359)**	(739,122)
Lease liabilities	**(22,442)**	(17,390)
Dividend payable	**(62)**	(8)
Net debt	**(484,906)**	(660,309)
Cash and cash equivalents	**172,957**	96,211
Gross debt	**(657,863)**	(756,520)
Net debt	**(484,906)**	(660,309)

	Other asset	**Liabilities from financing activities**			
	Cash and cash equivalents NTD'000	**Borrowing** NTD'000	**Lease liabilities** NTD'000	**Dividend payable** NTD'000	**Total** NTD'000
Net debt as at 1 January 2020	137,349	(778,945)	(23,855)	(8)	(665,459)
Cash flows	(37,639)	39,823	10,875	–	13,059
Non-cash changes					
— Additions to lease liabilities	–	–	(4,660)	–	(4,660)
— Disposal of lease liabilities	–	–	254	–	254
— Interest accrual	–	–	(4)	–	(4)
Foreign exchange adjustments	(3,499)	–	–	–	(3,499)
Net debt as at 31 December 2020 and 1 January 2021	96,211	(739,122)	(17,390)	(8)	(660,309)
Cash flows	78,158	103,763	11,830	43,434	237,185
Non-cash changes					
— Additions to lease liabilities	–	–	(16,882)	–	(16,882)
— Dividend declared	–	–	–	(43,488)	(43,488)
Foreign exchange adjustments	(1,412)	–	–	–	(1,412)
Net debt as at 31 December 2021	**172,957**	**(635,359)**	**(22,442)**	**(62)**	**(484,906)**

26 COMMITMENTS

Non-cancellable short-term leases

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

The future aggregate minimum lease payments under non-cancellable short-term leases (2020: non-cancellable short-term leases) are as follows:

	2021 NTD'000	2020 NTD'000
Within 1 year	**1,593**	1,102

27 RELATED PARTY TRANSACTIONS

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

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

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

(a) Name and relationship with related parties

Name	Relationship
Mr. Yang Ming-Hsiang ("Mr. Yang")	Executive director and key management personnel
Ms. Wei Hung-Li ("Ms. Wei")	Executive director and key management personnel
Mr. Lin Yen-Po ("Mr. Lin")	Executive director and key management personnel
Mr. Hsiao Hsi-Mao ("Mr. Hsiao")	Executive director and key management personnel

(b) Transactions with related parties

Save as disclosed in note 27(c), there is no material related party transactions during the years ended 31 December 2020 and 2021.

(c) Key management personnel compensation

	2021 NTD'000	2020 NTD'000
Short-term employee benefits		
— salaries, allowances and benefits in kind	**25,692**	26,527
Post-employment benefits		
— defined contribution retirement plans	**471**	463
	26,163	26,990

Executive directors are considered to be key management personnel.

28 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2021 NTD'000	2020 NTD'000
Assets		
Non-current assets		
Investment in subsidiaries	**270,598**	270,598
	270,598	270,598
Current assets		
Prepayments and other receivables	**1,148**	854
Amounts due from subsidiaries	**8,885**	12,600
Cash and cash equivalents	**220**	81
	10,253	13,535
Total assets	**280,851**	284,133
Equity		
Share capital	**38,815**	38,815
Reserves (note a)	**200,381**	226,914
	239,196	265,729
Liabilities		
Current liabilities		
Amount due to subsidiaries	**32,225**	7,887
Other payables and accruals	**9,430**	10,517
Total liabilities	**41,655**	18,404
Total equity and liabilities	**280,851**	284,133

28 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

	Share capital NTD'000	Share premium NTD'000	Contributed surplus* NTD'000	Exchange reserve NTD'000	Accumulated losses NTD'000	Total NTD'000
At 1 January 2020	38,815	146,571	199,947	(8,319)	(63,092)	313,922
Loss for the year	–	–	–	–	(47,704)	(47,704)
Other comprehensive loss for the year	–	–	–	(489)	–	(489)
Loss and total comprehensive loss for the year	–	–	–	(489)	(47,704)	(48,193)
At 31 December 2020	38,815	146,571	199,947	(8,808)	(110,796)	265,729
Profit for the year	–	–	–	–	16,134	16,134
Other comprehensive income for the year	–	–	–	821	–	821
Profit and total comprehensive income for the year	–	–	–	821	16,134	16,955
Dividend declared	–	–	(43,488)	–	–	(43,488)
At 31 December 2021	**38,815**	**146,571**	**156,459**	**(7,987)**	**(94,662)**	**239,196**

* Contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the shares issued by the Company in exchange for the shares of subsidiaries.

29 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the entities comprising the Group to the directors of the Company are as follows:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	NTD'000	NTD'000	NTD'000	NTD'000
Year ended 31 December 2021				
Executive directors:				
Mr. Yang Ming-Hsiang (note 1)	**1,561**	**3,783**	**–**	**5,344**
Mr. Fan Chiang-Shen (note 2)	**431**	**1,620**	**–**	**2,051**
Ms. Wei Hung-Li (note 3)	**1,561**	**3,473**	**–**	**5,034**
Mr. Lin Yen-Po (note 4)	**1,061**	**3,029**	**121**	**4,211**
Mr. Hsiao Hsi-Mao (note 6)	**831**	**2,120**	**91**	**3,042**
Independent non-executive directors:				
Mr. Kam, Eddie Shing Cheuk (note 5)	**861**	**–**	**–**	**861**
Mr. Cheng Chun Shing (note 5)	**861**	**–**	**–**	**861**
Mr. Ho Pak Chuen Brian (note 5)	**861**	**–**	**–**	**861**
	8,028	**14,025**	**212**	**22,265**
Year ended 31 December 2020				
Executive directors:				
Mr. Yang Ming-Hsiang (note 1)	1,510	3,700	–	5,210
Mr. Fan Chiang-Shen (note 2)	1,310	3,293	–	4,603
Ms. Wei Hung-Li (note 3)	1,510	3,273	–	4,783
Mr. Lin Yen-Po (note 4)	1,110	3,107	126	4,343
Independent non-executive directors:				
Mr. Kam, Eddie Shing Cheuk (note 5)	910	–	–	910
Mr. Cheng Chun Shing (note 5)	910	–	–	910
Mr. Ho Pak Chuen Brian (note 5)	910	–	–	910
	8,170	13,373	126	21,669

29 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

Note 1: Appointed on 6 June 2016.

Note 2: Resigned on 1 July 2021.

Note 3: Appointed on 28 July 2017.

Note 4: Appointed on 14 August 2018.

Note 5: Appointed on 20 June 2017.

Note 6: Appointed on 1 July 2021.

(b) Directors' termination benefits

There were no termination benefits paid to any director during or at any time for the years ended 31 December 2021 and 2020.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2021 and 2020, the Group provided no consideration to third parties for making available director's services.

(d) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at the end of the years ended 31 December 2020 and 2021 or at any time during the years ended 31 December 2020 and 2021.

(e) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FINANCIAL SUMMARY

For the year ended 31 December 2021

	2021 **NTD'000**	2020 NTD'000	2019 NTD'000	2018 NTD'000	2017 NTD'000
Results					
Revenue	**1,497,334**	1,497,834	1,908,210	1,122,046	1,238,370
Profit before income tax	**118,355**	196,626	260,362	88,806	57,434
Income tax expense	**(38,952)**	(52,425)	(81,330)	(33,205)	(19,971)
Profit for the year	**79,403**	144,201	179,032	55,601	37,463
Assets and liabilities					
Total assets	**2,562,613**	2,462,524	2,493,789	2,547,600	1,583,502
Total liabilities	**(1,761,403)**	(1,692,472)	(1,867,551)	(2,059,430)	(1,114,810)
Net assets	**801,210**	770,052	626,238	488,170	468,692