

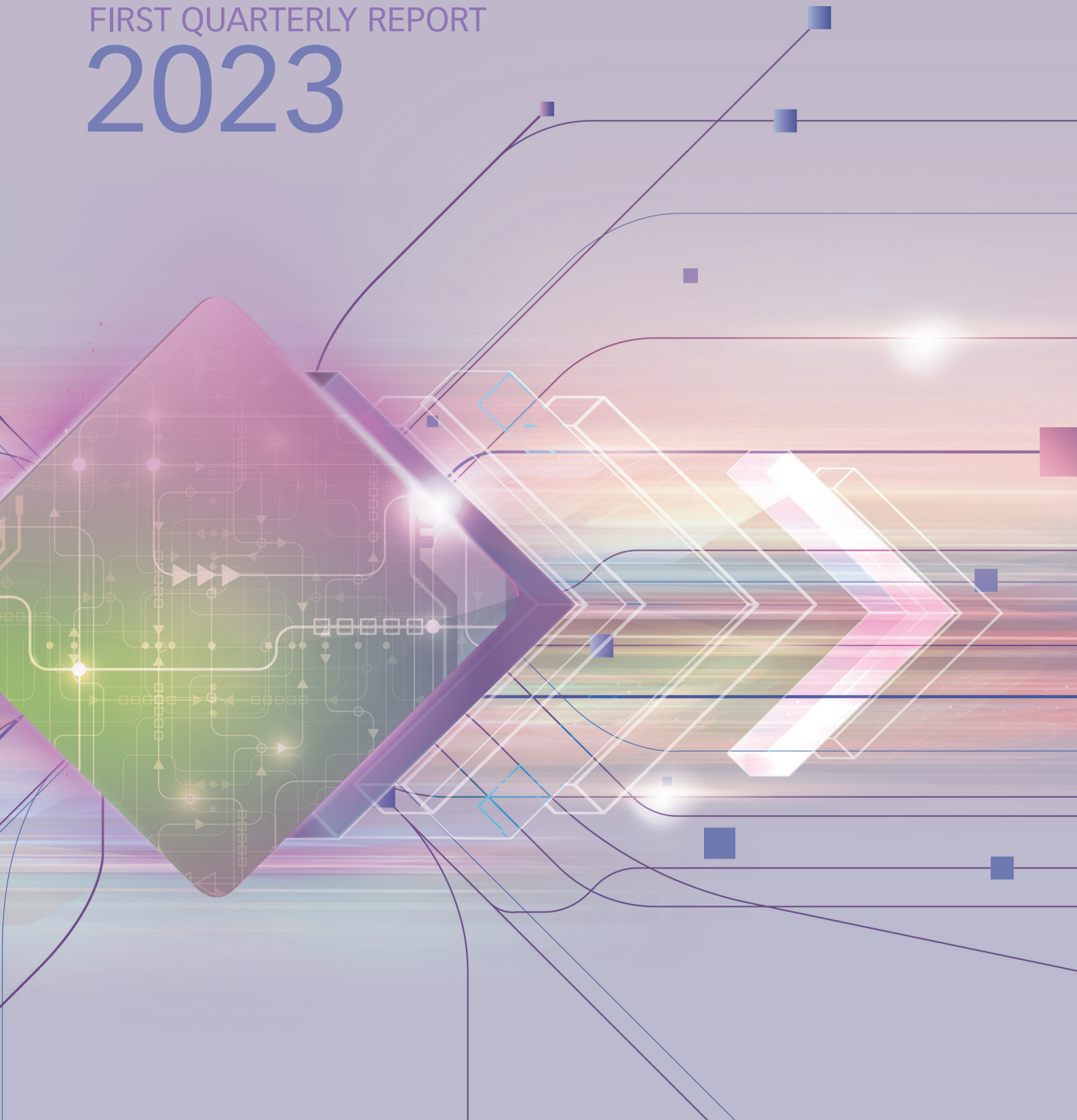


Genes Tech Group Holdings Company Limited 靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8257

FIRST QUARTERLY REPORT 2023



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Yang Ming-Hsiang (楊名翔) (Chairman)

Wei Hung-Li (魏弘麗)

Hsiao Hsi-Mao (蕭錫懋)

Independent non-executive Directors:

Kam, Eddie Shing Cheuk (甘承倬)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

AUDIT COMMITTEE

Cheng Chun Shing (鄭鎮昇) (Chairman)

Kam, Eddie Shing Cheuk (甘承倬)

Ho Pak Chuen Brian (何百全)

REMUNERATION COMMITTEE

Kam, Eddie Shing Cheuk (甘承倬) (Chairman)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

Yang Ming-Hsiang (楊名翔)

Wei Hung-Li (魏弘麗)

NOMINATION COMMITTEE

Yang Ming-Hsiang (楊名翔) (Chairman)

Wei Hung-Li (魏弘麗)

Kam, Eddie Shing Cheuk (甘承倬)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

RISK MANAGEMENT COMMITTEE

Yang Ming-Hsiang (楊名翔) (Chairman)

Wei Hung-Li (魏弘麗)

Kam, Eddie Shing Cheuk (甘承倬)

Cheng Chun Shing (鄭鎮昇)

Ho Pak Chuen Brian (何百全)

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F Prince's Building

Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

HEAD OFFICE IN TAIWAN

No. 80, Baotai 3rd Road, Zhubei City

Hsinchu County 30244

Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road, Kowloon

Hong Kong

AUTHORISED REPRESENTATIVES

Yang Ming-Hsiang (楊名翔)

Wei Hung-Li (魏弘麗)

COMPANY SECRETARY

Yuen Wing Yan, Winnie (袁穎欣), FCG, 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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

CORPORATE INFORMATION (continued)

PRINCIPAL BANKERS

Hang Seng Bank

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

Chang Hwa Commercial Bank (Jhubei Branch)

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

First Commercial Bank (Dongmen Branch)

No. 216, Dongmen Street
North District, Hsinchu 300
Taiwan

FINANCIAL YEAR END

31 December

STOCK CODE

08257

WEBSITE

<http://www.genestech.com>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Since the second half of 2022, given that the global semiconductor market has been continuously affected by factors including Russia-Ukraine geopolitical conflicts, China's epidemic control, the US Federal Reserve's interest rate hike and inflation, and market demand for electronic consumer products such as personal computers and smartphones is weak, semiconductor industry players along the production and marketing supply chain are facing varying degrees of pressure to destock. Various market research institutions, Gartner, IC Insights and the World Semiconductor Trade Statistics (WSTS) have all forecasted that global semiconductor sales will fall into recession in 2023 after reaching a record high in 2022, and the decline will be within approximately 5%. Gartner expects global semiconductor sales revenue to decrease by 3.6% to US\$596 billion in 2023 from US\$618 billion in 2022. According to IC Insights, global semiconductor sales are expected to decrease by 5% in 2023. WSTS anticipates that the semiconductor market size will drop to US\$556.5 billion in 2023, representing a year-on-year decrease of 4.1%. The latest global semiconductor sales in February 2023 published by Semiconductor Industry Association (SIA) was approximately US\$39.7 billion, representing a decrease of US\$10.3 billion from US\$50 billion in the corresponding period of last year and a year-on-year decrease of 20.7% compared with US\$41.3 billion in the previous month, down 4% month-on-month. Global semiconductor sales have declined month-on-month for six consecutive months. To cope with market demand and cyclical changes in the macro economy, the Taiwan Semiconductor Industry Association (TSIA) released the latest forecast data in mid-February 2023 and revised the annual output value of Taiwanese semiconductor industry downward to NTD4.56 trillion with a decline of 4.56%. In response to changes in the market environment, the Group will actively seize development opportunities, and strive to keep up with the research and development of investment products and technological improvement, so as to enhance the core competitiveness of the Group.

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 used SME and parts. For the three months ended 31 March 2023, the total revenue of the Group amounted to approximately NTD319.92 million (corresponding period in 2022: approximately NTD236.69 million), representing an increase of approximately 35.17% as compared to the corresponding period of last year. The total comprehensive income attributable to owners of the Company amounted to approximately NTD30.34 million (corresponding period in 2022: approximately NTD22.84 million). Basic earnings per share amounted to approximately NTD2.89 cents (corresponding period in 2022: approximately NTD2.37 cents).

Since the second half of 2022, the semiconductor industry has undergone cyclical changes, and midstream and downstream semiconductor companies all have strictly controlled capital expenditures. Leveraging the strengths of the turnkey solutions for used SME and parts of the Group, that is modifying and/or upgrading used SME and parts according to customers' technical requirements and specification in a flexible assembly form at competitive prices, it attracts customers to widely adopt. Thus, the Group's revenue from turnkey solutions and the trading of used SME and parts both increased during the period under review.

TURNKEY SOLUTIONS

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

The revenue from the turnkey solutions of the Group for the three months ended 31 March 2023 amounted to approximately NTD164.04 million (corresponding period in 2022: approximately NTD91.21 million), representing an increase of approximately 79.85% as compared to the corresponding period of last year, accounting for approximately 51.27% of the Group's total revenue (corresponding period in 2022: approximately 38.54%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

TRADING OF SME AND PARTS

During the period under review, the Group recorded a revenue of approximately NTD155.89 million (corresponding period in 2022: approximately NTD145.48 million) from the trading of used SME and parts, representing an increase of approximately 7.15% as compared to the corresponding period of last year, and revenue from the trading of used SME and parts accounted for approximately 48.73% of total revenue of the Group (corresponding period in 2022: approximately 61.46%).

FINANCIAL REVIEW

For the three months ended 31 March 2023, the Group recorded a total revenue of approximately NTD319.92 million (corresponding period in 2022: approximately NTD236.69 million), representing an increase of approximately 35.17% as compared to the corresponding period of last year. During the period under review, the Group recorded revenues from turnkey solutions of approximately NTD164.04 million (corresponding period in 2022: approximately NTD91.21 million), representing an increase of approximately 79.85% as compared to the corresponding period of last year; and the Group recorded revenues from the trading of used SME and parts of approximately NTD155.89 million (corresponding period in 2022: approximately NTD145.48 million), representing an increase of approximately 7.15% as compared to the corresponding period of last year.

During the period under review, revenue from the domestic business in Taiwan was approximately NTD225.84 million (corresponding period in 2022: approximately NTD180.28 million), accounting for approximately 70.59% of the Group's total revenue (corresponding period in 2022: approximately 76.17%). The Group will continue to actively develop and consolidate the good and close cooperative relationship with existing international customers, thereby promoting the growth of the Group's business revenue from outside Taiwan.

During the period under review, the Group recorded a gross profit of approximately NTD96.70 million (corresponding period in 2022: approximately NTD76.13 million), while the overall gross profit margin was approximately 30.23% (corresponding period in 2022: approximately 32.16%).

For the three months ended 31 March 2023, total comprehensive income attributable to owners of the Company amounted to approximately NTD30.34 million (corresponding period in 2022: approximately NTD22.84 million), while basic earnings per share amounted to approximately NTD2.89 cents (corresponding period in 2022: approximately NTD2.37 cents).

OUTLOOK

2023 is a year of adjustment for the semiconductor industry. The global semiconductor market continues to be affected by persistent macroeconomic challenges and weak demand in the consumer sector and has contracted for the first time after three consecutive years of positive growth. The demand for electronic consumer products such as personal computers and smartphones weakened while such inventory has been adjusted for 2 to 3 quarters. According to Gartner's research, the global shipment of personal computers in the first quarter of 2023 was 55.2 million units, representing a 30% decrease compared with the first quarter of 2022 and a year-on-year decline for the second consecutive quarter. According to the International Data Corporation (IDC) mobile phone quarterly tracking report, the global smartphone market shipments in 2023 will be less than 1.2 billion units, representing a year-on-year decrease of 1.1%. It is expected that the smartphone market will recover only until 2024 and achieve 5.9% year-on-year growth, while the five-year compound annual growth rate (CAGR) was only 2.6%. Nevertheless, benefiting from the demand in industrial fields such as electric and autonomous vehicles (ADAS), high-performance computing (HPC), artificial intelligence (AI), and low-orbit satellites, the mid-to-long-term structural demand of the semiconductor industry is still very strong, and future growth remains promising. As major countries in the world have successively announced electric vehicle policies and are expected to prohibit the sale of fuel vehicles between 2025 and 2040, there follows a buoyant demand for high-power semiconductors in key systems of electric vehicles. According to a KPMG survey about Automotive Semiconductors — Accelerating into a New Era of MaaS, the revenue of automotive semiconductors will exceed US\$250 billion in 2024, surpassing wireless communications, which has been considered to be the largest application driving the semiconductor industry in the past. Various market research institutions predict that this downward cycle will bottom out in the second half of 2023, and global semiconductor sales will rebound in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The global SME market has experienced rapid development in the past two years, and the Semiconductor Equipment and Materials International (SEMI) predicts that the global SME market will present negative growth for the first time in 2023. SEMI issued the latest quarterly World Fab Forecast (WFF), which revised the total investment downward in global front-end fab equipment in 2023, which is expected to decline by 22% from the record US\$98 billion in 2022 to US\$76 billion; it will rebound by 21% to US\$92 billion, returning to the US\$90 billion mark in 2024. Taiwan will remain firmly at the top of the global fab equipment expenditure, with a total increase of 4.2% from 2023 to US\$24.9 billion.

According to the report results of the 2023 KPMG Global Semiconductor Industry Outlook Survey, nearly half of the respondents are deeply concerned about talent and labor shortages. To a lesser extent, “risks of global inflation and regulatory laws and policies” and “geopolitics and nationalization of semiconductors” are tied for the second largest industry challenge. The nationalization of semiconductor manufacturing is intensifying around the world. Major countries in the world have enacted laws to introduce chip manufacturing into their countries, such as the CHIPS and Science Act promulgated by the United States and the proposed European Chips Act by the European Union, aggravating the issue of shortage of industrial talents and skills, which in turn caused an impact on the global supply chain, human resources and government subsidies, and has become the matter of concern to the global semiconductor industry. Given that various countries vigorously support the local semiconductor industry, the competitive pressure may build up in the future, and at the same time the intensification of the Sino-US technology war, and the aggravation of geopolitical issues faced by Taiwan, the Taiwan Semiconductor Industry Association (TSIA) recently released a white paper on Taiwan’s IC design industry policy, putting forward six major proposals to the government, in the hope that the government will give the greatest support in the external environment and more proactive assistance in continuously increasing the competitiveness of Taiwan’s semiconductor industry. The Directors believe that this will bring new business opportunities for the Group’s future business. The Group will pay close attention to changes in the market environment, respond prudently and quickly to market changes, seize development opportunities, and actively explore market development opportunities. The Group will also strengthen its innovative research and development capabilities to enhance its core competitiveness and create long-term shareholder value.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (for the three months ended 31 March 2022: Nil).

OTHER INFORMATION

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

As at 31 March 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares:

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner	37,975,000	3.80%
	Interest in persons acting in concert (Note)	664,075,000	66.41%
		702,050,000	70.21%
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner	29,125,000	2.91%
	Interest in persons acting in concert (Note)	672,925,000	67.30%
		702,050,000	70.21%

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 Yen-Po (former director) and Mr. Fan Chiang-Shen (former director), 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 March 2023, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

OTHER INFORMATION (continued)

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

As at 31 March 2023, 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 Interest in persons acting in concert (Note 5)	111,300,000 590,750,000	11.13% 59.08%
		<hr/> 702,050,000	<hr/> 70.21%
Mr. Fan Chiang-Shen ("Mr. Fan") (Note 5)	Beneficial owner Interest in persons acting in concert (Note 5)	2,925,000 699,125,000	0.30% 69.91%
		<hr/> 702,050,000	<hr/> 70.21%
Mr. Lin Yen-Po ("Mr. Lin") (Note 5)	Beneficial owner Interest in persons acting in concert (Note 5)	1,200,000 700,850,000	0.12% 70.09%
		<hr/> 702,050,000	<hr/> 70.21%

OTHER INFORMATION (continued)

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the “BVI”). As at the date of this report, it was held by 30 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Lin (former director) and Mr. Fan (former director), were interested in approximately 5.1% and approximately 10.7% of its shareholding, respectively. 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 8.44%.
- (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, a former Director, 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 (former director) and Mr. Fan (former director), were interested in approximately 17.8% and approximately 10.7% of its shareholding, respectively. 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 4 individual shareholders and none of them controlled Tai Yi. 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 (former director) and Mr. Fan (former director) 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.

Save as disclosed above, as at 31 March 2023, 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 March 2023 and up to the date of this report, neither the Directors nor the chief executive 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 March 2023 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of the SFO).

OTHER INFORMATION (continued)

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 (“the Listing Date”) to 31 March 2023, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group’s business) which, directly or indirectly, was or may be in competition or otherwise had any conflicts of interests with the Group’s business.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the period from the Listing Date to 31 March 2023.

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from 1 January 2023 to 31 March 2023.

The Company has also established written guidelines (the “Employees Written Guidelines”) no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision C.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang is the Chief Executive Officer, and he also performs as the Chairman of the Board as he has considerable experience in the semiconductor industry. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Notwithstanding the above, the Board is of the view that this management structure is effective for the Group’s operations, and sufficient checks and balances are in place.

OTHER INFORMATION (continued)

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2023 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2023, this first quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 20 June 2017 (the "Share Option Scheme"). As of 31 March 2023 and up to the date of this first quarterly report, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 31 March 2023 and up to the date of this first quarterly report, there was no share option not yet exercised under the Share Option Scheme.

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

From 1 January 2023 to 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

Yang Ming-Hsiang

Chairman and Chief Executive Officer

Taiwan, 11 May 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Notes	2023 NTD'000 (unaudited)	2022 NTD'000 (unaudited)
Revenue	4	319,921	236,688
Cost of sales	5	(223,224)	(160,563)
Gross profit		96,697	76,125
Other income		–	2
Other (losses)/gains, net		(6,816)	3,962
Selling and distribution expenses	5	(16,367)	(12,231)
General and administrative expenses	5	(29,811)	(32,263)
		43,703	35,595
Finance income	6	76	18
Finance costs	6	(4,959)	(2,958)
Profit before income tax		38,820	32,655
Income tax expense	7	(9,925)	(8,980)
Profit for the period attributable to owners of the Company		28,895	23,675
Other comprehensive income/(loss), net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		1,440	(832)
Total comprehensive income for the period attributable to owners of the Company		30,335	22,843
Earnings per share			
Basic and diluted (NTD cents)	8	2.89	2.37

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Share capital NTD'000	Share premium NTD'000	Statutory reserve NTD'000	Other reserve NTD'000	Exchange reserve NTD'000	Retained earnings NTD'000	Total equity NTD'000
At 1 January 2022 (audited)	38,815	146,571	116,018	182,226	(8,110)	325,690	801,210
Profit for the period	-	-	-	-	-	23,675	23,675
Other comprehensive loss	-	-	-	-	(832)	-	(832)
Total comprehensive income for the period	-	-	-	-	(832)	23,675	22,843
Transfer to statutory reserve	-	-	20,859	-	-	(20,859)	-
At 31 March 2022 (unaudited)	38,815	146,571	136,877	182,226	(8,942)	328,506	824,053
At 1 January 2023 (audited)	38,815	146,571	136,877	182,226	(16,375)	224,395	712,509
Profit for the period	-	-	-	-	-	28,895	28,895
Other comprehensive income	-	-	-	-	1,440	-	1,440
Total comprehensive income for the period	-	-	-	-	1,440	28,895	30,335
Transfer to statutory reserve	-	-	13,896	-	-	(13,896)	-
At 31 March 2023 (unaudited)	38,815	146,571	150,773	182,226	(14,935)	239,394	742,844

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

These condensed consolidated financial information for the three months ended 31 March 2023 has been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with HKFRSs issued by the HKICPA.

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

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

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, with the exception of changes in accounting policy as described below.

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2022. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

Standards	Subject of amendment
Annual Improvements to HKFRSs 2018–2020	Annual Improvements Project
Narrow-scope amendments	Amendments to HKFRS 3, HKAS 16 and HKAS 37
Covid-19-Related Rent Concessions beyond 2021	Amendments to HKFRS 16
Merger Accounting for Common Control Combinations	Revised Accounting Guideline 5

4 REVENUE AND SEGMENT INFORMATION

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

	Three months ended 31 March	
	2023 NTD'000 (unaudited)	2022 NTD'000 (unaudited)
Provision of turnkey solution	164,036	91,207
Trading of used semiconductor manufacturing equipment and parts	155,885	145,481
Revenue recognised at a point in time	319,921	236,688

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

4 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Three months ended 31 March	
	2023 NTD'000 (unaudited)	2022 NTD'000 (unaudited)
Taiwan (place of domicile)	225,837	180,275
United States	34,017	2,084
PRC	33,469	32,585
Singapore	26,337	21,048
Korea	–	42
Other countries	261	654
	319,921	236,688

Information about major customers

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

	Three months ended 31 March	
	2023 NTD'000 (unaudited)	2022 NTD'000 (unaudited)
Customers		
A	149,130	50,504
B	37,036	56,153
C	N/A*	30,850
D	N/A*	26,719

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

5 EXPENSES BY NATURE

	Three months ended 31 March	
	2023 NTD'000 (unaudited)	2022 NTD'000 (unaudited)
Auditors' remuneration		
— Audit services	2,634	2,432
Cost of materials used	153,822	102,100
Amortisation of intangible assets (note (a))	2,998	3,035
Depreciation of property, plant and equipment (note (b))	3,419	4,612
Depreciation of right-of-use assets	3,679	2,829
Research expense	95	232
Provision for warranty, net	3,977	1,378
Employee benefit expenses	66,518	61,338
Professional fees	1,524	2,172
Commission	6,061	4,623
Expense relating to short-term leases	1,143	1,016
Delivery charges	4,599	3,047
Travelling	3,216	3,632
Insurance	6,837	6,094
Entertainment	371	428
Utilities	806	689
Others	7,703	5,400
	269,402	205,057

Notes:

- (a) Amortisation of intangible assets is included in "General and administrative expenses".
- (b) Depreciation of property, plant and equipment is included in "Cost of sales" and "General and administrative expenses" amounting to approximately NTD2,417,000 (31 March 2022: NTD2,714,000) and NTD1,002,000 (31 March 2022: NTD1,898,000), respectively, for the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

6 FINANCE INCOME AND FINANCE COST

During the period under review, the Group recorded a finance cost of approximately NTD4.96 million (corresponding period in 2022: approximately NTD2.96 million) mainly driven by an increasing trend in interest rate of the Group's bank borrowings.

	Three months ended 31 March	
	2023 NTD'000 (unaudited)	2022 NTD'000 (unaudited)
Finance income		
Bank interest income	76	18
Finance cost		
Interest on bank borrowings	(4,822)	(2,859)
Interest on lease liabilities	(137)	(99)
	(4,959)	(2,958)
Net finance cost	(4,883)	(2,940)

7 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (31 March 2022: 23.6%).

8 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD28,895,000 (31 March 2022: approximately NTD23,675,000) and the weighted average of 1,000,000,000 (31 March 2022: 1,000,000,000) shares in issue during the period.

	Three months ended 31 March	
	2023 (unaudited)	2022 (unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	28,895	23,675
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000
Basic earnings per share (NTD cents per share)	2.89	2.37

(b) Diluted

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