



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 announcement, for which the directors of Genes Tech Group Holdings Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|----------------|
| | | 2017 | 2016 |
| | <i>Note</i> | <i>NTD'000</i> | <i>NTD'000</i> |
| | | (unaudited) | (unaudited) |
| Revenue | 5 | 769,142 | 720,499 |
| Cost of sales | | (622,462) | (586,764) |
| Gross profit | | 146,680 | 133,735 |
| Other income, gains and losses | | (13,054) | (12,363) |
| Selling and distribution expenses | | (30,564) | (24,768) |
| General and administrative expenses | | (60,370) | (78,336) |
| Finance costs | | (4,099) | (4,907) |
| Profit before income tax | 6 | 38,593 | 13,361 |
| Income tax expenses | 7 | (9,963) | (7,558) |
| Profit for the period | | 28,630 | 5,803 |
| Other comprehensive income, net of tax: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| — Exchange differences on translation of a foreign subsidiary | | 24 | 302 |
| Total comprehensive income for the year attributable to owners of the Company | | 28,654 | 6,105 |
| Earnings per share | | | |
| — Basic (NTD cents) | 8 | <u>2.86</u> | <u>0.58</u> |
| — Diluted (NTD cents) | 8 | <u>2.86</u> | <u>0.58</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | <i>Note</i> | 30/6/2017 <i>NTD'000</i> (unaudited) | 31/12/2016 <i>NTD'000</i> (audited) |
|--|-------------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 252,819 | 259,054 |
| Intangible assets | | 1,774 | 2,206 |
| Deferred tax assets | | 12,821 | 12,615 |
| | | 267,414 | 273,875 |
| Current assets | | | |
| Inventories | | 625,272 | 641,626 |
| Trade receivables | 9 | 194,828 | 182,048 |
| Prepayments, deposits and other receivables | | 150,881 | 41,586 |
| Cash and cash equivalents | | 177,788 | 79,092 |
| | | 1,148,769 | 944,352 |
| Current liabilities | | | |
| Trade payables | 10 | 239,825 | 178,897 |
| Other payables and accruals | | 428,428 | 304,507 |
| Bank borrowings | 11 | 303,393 | 301,773 |
| Tax payables | | 9,963 | 12,975 |
| | | 981,609 | 798,152 |
| Net current assets | | 167,160 | 146,200 |
| Total assets less current liabilities | | 434,574 | 420,075 |
| Non-current liabilities | | | |
| Bank borrowings | 11 | 156,972 | 171,333 |
| Deferred tax liabilities | | 206 | – |
| | | 157,178 | 171,333 |
| Net assets | | 277,396 | 248,742 |
| EQUITY | | | |
| Share capital | 12 | 319 | 32,499 |
| Reserves | | 277,077 | 216,243 |
| Total equity | | 277,396 | 248,742 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Share capital <i>NTD'000</i> | Statutory reserve <i>NTD'000</i> | Other reserve <i>NTD'000</i> | Exchange reserve <i>NTD'000</i> | Retained earnings <i>NTD'000</i> | Total <i>NTD'000</i> |
|--|------------------------------------|--|------------------------------------|---------------------------------------|--|-------------------------|
| As at 1 January 2017 (audited) | 32,499 | 24,892 | 149,727 | (175) | 41,799 | 248,742 |
| Arising from group reorganisation | (32,498) | - | 32,180 | - | - | (318) |
| Transfer to statutory reserve | 318 | - | - | - | - | 318 |
| Transactions with owners | (32,180) | - | 32,180 | - | - | - |
| Profit for the period | - | - | - | - | 28,630 | 28,630 |
| Other comprehensive income | - | - | - | 24 | - | 24 |
| Profit and total comprehensive income for the period | - | - | - | 24 | 28,630 | 28,654 |
| Transfer to statutory reserve | - | 4,618 | - | - | (4,618) | - |
| As at 30 June 2017 (unaudited) | 319 | 29,510 | 181,907 | (151) | 65,811 | 277,396 |
| As at 1 January 2016 (audited) | 150,000 | 19,103 | - | - | 83,809 | 252,912 |
| Profit for the period | - | - | - | - | 5,803 | 5,803 |
| Other comprehensive income | - | - | - | 302 | - | 302 |
| Profit and total comprehensive income for the period | - | - | - | 302 | 5,803 | 6,105 |
| Arising from group reorganisation | (149,751) | - | 149,751 | - | - | - |
| Transfer to statutory reserve | - | 6,461 | - | - | (6,461) | - |
| Transactions with owners | (149,751) | 6,461 | 149,751 | - | (6,461) | - |
| As at 30 June 2016 (unaudited) | 249 | 25,564 | 149,751 | 302 | 83,151 | 259,017 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2017 | 2016 |
| | NTD'000 | NTD'000 |
| | (unaudited) | (unaudited) |
| NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES | 111,293 | (146,372) |
| NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES | 119 | (29,694) |
| NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES | (12,740) | 52,817 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 98,672 | (123,249) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 79,092 | 162,651 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 24 | 302 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 177,788 | 39,704 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | 177,788 | 39,704 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 June 2016. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Room 2105–2106, 21/F, Office Tower Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in providing turnkey solution of used SME and Parts. Its parent and ultimate holding company is Queenbest Development Limited, a private company incorporated in the BVI. Its ultimate controlling party is Mr. Yang Ming-Hsiang.

The interim financial information is presented in New Taiwan dollars (“NTD”), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated interim results (“**Financial Information**”) have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard 34 “**Interim Financial Reporting**”).

This Financial Information should be read in conjunction with the financial information of the Group incorporated in the accountants’ report of the financial information relating to the Group for each of the three years ended 31 December 2016 (the “**Accountants Reports**”) as set out in Appendix I to the prospectus of the Company dated on 30 June 2017 (“**Prospectus**”).

Pursuant to the Reorganisation in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group, the details of which are set out in the Prospectus.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Yang May-Hsiang, Tai Yi Investment Co. Ltd., Ms. Wei Hung-Li, Mr. Fan Chiang-Shen and Mr. Lin Yeo-Po, are a group of Controlling Shareholders, and is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on a combined basis as if the current group structure had been in existence since 1 January 2016, or since the respective dates of incorporation of the relevant entity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the Financial Information are same as those used in the preparation of the Accountants Reports except in relation to the new and revised standards, amendments and interpretations (“**New and revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are adopted of the first time for the current period’s financial statements. The adoption of these new and revised HKFRSs has had no material impact on the Financial Information. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

This Financial Information have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. 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 Directors in order to allocate resources and assess performance of the segment. The Directors regularly review revenue and operating results derived from provision of turnkey solution and trading of semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

Geographical segment

The Company is an investment holding company and the principal place of the Group's operation is in the ROC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the ROC as its country of domicile. All the Group's non-current assets are principally attributable to the ROC, 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.

| | Six months ended 30 June | |
|--------------------------------|--------------------------------|--------------------------------|
| | 2017 NTD'000 (unaudited) | 2016 NTD'000 (unaudited) |
| The ROC (place of domicile) | 208,838 | 412,453 |
| The People's Republic of China | 496,271 | 211,996 |
| The United States | 5,866 | 1,884 |
| South Korea | 10,268 | 33,935 |
| Singapore | 45,533 | 32,330 |
| Other countries | 2,366 | 27,901 |
| | <u>769,142</u> | <u>720,499</u> |

Information about major customers

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

| | Six months ended 30 June | |
|------------|--------------------------------|--------------------------------|
| | 2017 NTD'000 (unaudited) | 2016 NTD'000 (unaudited) |
| Customer A | 98,945 | 181,630 |
| Customer B | 86,607 | N/A |
| Customer C | 81,794 | 270,547 |
| Customer D | 368,865 | – |
| | <u>636,211</u> | <u>452,177</u> |

5. REVENUE

The Group's revenue which represented the amount received and receivable for the revenue from providing turnkey solution of used SME and Parts, and is analysed as follows:

| | Six months ended 30 June | |
|--------------------------|--------------------------------|--------------------------------|
| | 2017 NTD'000 (unaudited) | 2016 NTD'000 (unaudited) |
| Turnkey solution | 749,086 | 662,868 |
| Trading of SME and Parts | 20,056 | 57,631 |
| | <u>769,142</u> | <u>720,499</u> |

6. PROFIT BEFORE INCOME TAX

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2017 NTD'000 (unaudited) | 2016 NTD'000 (unaudited) |
| Cost of inventories recognised as expenses | 598,757 | 566,901 |
| Amortisation of intangible assets | 477 | 432 |
| Depreciation of property, plant and equipment | 6,812 | 4,360 |
| Listing expenses | 18,582 | 31,098 |
| Research expense | 7,295 | 2,246 |
| Provision of warranty | 23,705 | 19,863 |
| Employee benefits expense (including directors' remuneration): | | |
| Salaries, allowances and benefits in kind | 70,317 | 78,482 |
| Defined contribution retirement plan | 2,519 | 2,592 |
| Minimum lease payments in respect of | | |
| Properties | 665 | 3,356 |
| Office equipment | 1,325 | 1,379 |

7. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|-------------------|--------------------------------|--------------------------------|
| | 2017 NTD'000 (unaudited) | 2016 NTD'000 (unaudited) |
| Current tax | | |
| Taiwan Income Tax | 9,963 | 7,558 |

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Taiwan Income Tax at a rate of 17% on the estimated assessable profits for both periods.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for both periods is based on the following data:

| | Six months ended 30 June | |
|--|---------------------------------|-------------------------|
| | 2017 | 2016 |
| | NTD'000 | NTD'000 |
| | (unaudited) | (unaudited) |
| Earnings | | |
| Earnings for the purpose of basic earnings per share | <u>28,630</u> | <u>5,803</u> |
| | | |
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | '000 | '000 |
| | (unaudited) | (unaudited) |
| Number of shares | | |
| Number of shares for the purpose of basic earnings per share | <u>1,000,000</u> | <u>1,000,000</u> |

The number of ordinary shares of the Company for the purpose of calculating basic earnings per share has been determined based on the assumption that the Reorganisation and capitalisation issue and are deemed to be effective on 1 January 2016.

No diluted earnings per share was presented as there was no potential ordinary shares of the Company in issue during both periods.

9. TRADE RECEIVABLES

| | At | At |
|-------------------|-----------------------|-----------------------|
| | 30 June | 31 December |
| | 2017 | 2016 |
| | NTD'000 | NTD'000 |
| | (unaudited) | (audited) |
| Trade receivables | <u>194,828</u> | <u>182,048</u> |

The Group normally allows credit period ranging from 30 to 90 days to its major customers. As at each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

| | At | At |
|--------------|-----------------------|-----------------------|
| | 30 June | 31 December |
| | 2017 | 2016 |
| | NTD'000 | NTD'000 |
| | (unaudited) | (audited) |
| 0–90 days | 194,828 | 159,742 |
| 91–180 days | – | 13,583 |
| 181–365 days | – | 4,504 |
| Over 1 year | – | 4,219 |
| | <u>194,828</u> | <u>182,048</u> |

The following table sets forth the ageing analysis of our trade and bills receivables that were not impaired as of the dates indicated:

| | At 30 June 2017 <i>NTD'000</i> (unaudited) | At 31 December 2016 <i>NTD'000</i> (audited) |
|--|---|--|
| Neither past due nor impaired | 191,396 | 160,605 |
| 1–60 days past due | 3,432 | 9,689 |
| 61–180 days past due | – | 4,962 |
| More than 180 days but less than 1 year past due | – | 2,573 |
| More than 1 year past due | – | 4,219 |
| | 194,828 | 182,048 |

Trade receivables that were not yet past due and that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

10. TRADE PAYABLES

Ageing analysis of trade payables, based on invoice dates, as at each reporting date is shown as follow:

| | At 30 June 2017 <i>NTD'000</i> (unaudited) | At 31 December 2016 <i>NTD'000</i> (audited) |
|------------------------------|---|--|
| Current or less than 1 month | 212,103 | 177,177 |
| 1 to 3 months | 27,722 | 1,720 |
| | 239,825 | 178,897 |

At each reporting date, the majority of our trade payables due within 180 days. The Directors confirmed that we did not default in payment of any trade or non-trade payables.

11. BANK BORROWINGS

As at 31 December 2016 and 30 June 2017, the Group's bank borrowings represented our loans from banks in Taiwan. The following table sets forth the Group's bank borrowings as at 31 December 2016 and 30 June 2017:

| | | At 30 June 2017 NTD'000 (unaudited) | At 31 December 2016 NTD'000 (audited) |
|--|----------|---|---|
| Current | | | |
| Bank borrowings — unsecured | <i>a</i> | 295,755 | <u>293,440</u> |
| Current portion of long-term bank borrowing, secured | <i>b</i> | 7,638 | <u>8,333</u> |
| | | <u>303,393</u> | <u>301,773</u> |
| Non-current | | | |
| Long-term bank borrowing, secured | <i>b</i> | 113,194 | 116,667 |
| Long-term bank borrowing, unsecured | <i>a</i> | 43,778 | <u>54,666</u> |
| | | <u>156,972</u> | <u>171,333</u> |

- (a) The bank borrowings are carried at amortised cost. Interests were charged ranging from 1.85% to 2.30% per annum and from 0.8% to 2.4% per annum for the years ended 31 December 2016 and for the six months ended 30 June 2017 respectively.
- (b) The long-term bank borrowing, with a principal amount of NTD125,000,000, is secured by the land and building of the Group located in Taiwan. The secured bank borrowing bears interest at 1.80% per annum above the bank's NTD prime rate and is repayable in 240 monthly instalments.
- (c) As at 30 June 2017 and 31 December 2016, bank borrowings amounting to approximately NTDnil and approximately NTD25,155,000 were guaranteed by Mr. Yang respectively (note 14).

12. SHARE CAPITAL

The Company was incorporated on 6 June 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, 1 share was allotted and issued, credited as fully paid, to the initial subscriber of the Company and was subsequently transferred to Mr. Yang.

Pursuant to the Reorganisation, the Company's authorised share capital was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 ordinary shares.

On 21 June 2017, 9,999 shares of the Company were allotted and issued, credited as fully paid.

As at 31 December 2016, the balance of share capital represented the total of paid-up capital of the Company and Top Vitality.

13. OPERATING LEASE COMMITMENT

As at 31 December 2016 and 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | At 30 June 2017 <i>NTD'000</i> (unaudited) | At 31 December 2016 <i>NTD'000</i> (audited) |
|---|--|--|
| Not later than one year | 2,037 | 3,169 |
| Later than one year and not later than five years | 246 | 678 |
| | <u>2,283</u> | <u>3,847</u> |

14. RELATED PARTIES TRANSACTION

In addition to those disclosed elsewhere in this announcement, the Group carried out the following transactions with its related parties during the six months ended 30 June 2016 and 2017:

Compensation of key management personnel

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2017 <i>NTD'000</i> (unaudited) | 2016 <i>NTD'000</i> (unaudited) |
| Salaries, allowances and benefits in kind | 5,429 | 8,634 |
| Retirement benefits — defined contribution retirement plans | — | 103 |
| | <u>5,429</u> | <u>8,737</u> |

15. DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a turnkey solution provider and exporter of used semiconductor manufacturing equipment (SME) and parts based in Taiwan. Shares of the Company (the “Shares”) were successfully listed on the GEM of the Stock Exchange on 14 July 2017 (the “Listing”).

MARKET OVERVIEW

In the first half of 2017, with the gradual recovery of the global economy, China’s economy grew steadily, and its gross domestic product saw a year-on-year increase of 6.9%. At the same time, high-tech electronic devices have become extremely popular across China with demand for consumer electronics such as smartphones, tablets and wearable devices dramatically increasing. In order to expand production capacity to meet this rising demand, during the period under review, global wafer manufacturers were actively looking for turnkey solution providers to upgrade and refurbish their SME, which became the major driving force of Taiwan’s SME industry. During the period under review, benefitting from the industry’s continuing growth, the Group’s business operations and results developed in a stable manner.

BUSINESS REVIEW

The Group is a leading turnkey solution provider and exporter of used SME and parts in Taiwan. The Group has been providing turnkey solution of used SME and Parts to customers who need to alter and/or upgrades the semiconductors of production systems from time to time. Moreover, the Group also carries out the trading of SME and parts business. The SME and parts supplied by the Group include: furnaces, clean tracks and other related items, which are used at the front-end of the semiconductor manufacturing process, wafer fabrication, such as deposition, photoresist coating and development. In addition, the Group formed an impressive overseas customer network, and maintained stable relationships with major clients from South Korea, Singapore and the United States. With an experienced management team in place and a widely heralded total quality management system, the Group has become one of the leading turnkey solutions suppliers and exporters in Taiwan. During the period under review, the Group maintained stable development in general, recording total revenue of approximately NTD769.1 million (corresponding period in 2016: approximately NTD720.5 million), and total comprehensive income attributable to owners of the Company of approximately NTD28.7 million (corresponding period in 2016: approximately NTD6.1 million), a period-on-period increase of approximately 6.7% and approximately 370.5% respectively. Excluding the listing expenses of the Group of approximately NTD31.1 million and NTD18.1 million for the six months ended 30 June 2016 and 2017 respectively, the Group’s net profit would have been approximately NTD36.9 million and NTD47.2 million for the six months ended 30 June 2016 and 2017, representing the increase of approximately 27.9%. This was mainly due to the on-going rise in semiconductor product market demand driven by the recent strong growth in the wearable devices market.

The Group is committed to strengthen its position as a turnkey solution provider in Taiwan and China. On 14 July 2017, the shares of the Company were successfully listed on the GEM by way of placing and public offer (the “Share Offer”), which not only promoted the overall enterprise image of the Group and enhanced its market recognition, but also established a significant milestone in terms of the overall development of the Group. The net proceeds were approximately HK\$42.2 million, which will significantly help the Group to further expand its business operations.

TURNKEY SOLUTIONS

During the period under review, turnkey solutions was the major revenue source for the Group. For the period ended 30 June 2017, the Group recorded revenue of approximately NTD749.1 million (corresponding period in 2016: approximately NTD662.8 million), an increase of approximately 13.0% compared with the corresponding period of last year. The growth of the turnkey solutions business was mainly driven by the sales growth of semiconductor manufacturers being the Group's major types of customers.

The Group's turnkey solutions revenue was mainly generated from the global leading semiconductor manufacturing markets, including Taiwan and China where recorded revenue for the Group's related businesses reached approximately 27.9% and approximately 66.3%, respectively.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD20.0 million (corresponding period in 2016: approximately NTD57.6 million) arising from trading of SME and parts, a decrease of approximately 65.3% compared with the corresponding period last year. Such drop was mainly due to a decrease in trading of SME and parts from the Group's overseas turnkey solutions providers. During the period under review, revenue from trading in SME and parts comprised approximately 2.6% of total revenue for the Group.

OUTLOOK

The application of semiconductors is expected to expand into different types of consumer electronics where the market for wearable devices such as smartwatches and fitness trackers have expanded rapidly in recent years and offer enormous future growth potential, which will drive up the demand for integrated circuits.

Looking ahead, the Group will seize new opportunities in the used SME sector in Taiwan and China while further strengthening its overall position within the industry. By enhancing sales and focusing steadily on R&D as well as expanding the number of experienced technical personnel on team, the Group will strive to achieve sustainable growth in its overall business operations. At the same time, the Group will strive to maintain its strong financial status and release liquidity while creating long-term value for its shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group recorded revenue of approximately NTD769.1 million (corresponding period in 2016: approximately NTD720.5 million), representing an increase of approximately 6.7% compared with the corresponding period in last year. The growth in revenue was mainly due to customers expanding their semiconductor manufacturing operations to meet the recent substantial growth in the wearable devices market, which has fueled the demand for SME and parts. For the six months ended 30 June 2017, the Group recorded revenue of approximately NTD749.1 million and approximately NTD20.0 million for its turnkey solutions business and trading of SME and parts, respectively.

Total comprehensive income attributable to owners of the Company amounted to approximately NTD28.7 million (corresponding period in 2016: approximately NTD6.1 million) while basic and diluted earnings per share amounted to NTD2.86 cents (corresponding period in 2016: NTD5.8 cents). The increase of total comprehensive income attributable to owners of the Company mainly resulted from increasing trend of its gross profit margins and also attributable to the decreasing trend of its general and administrative expenses. The net profit margin during the period edged up to approximately 3.7% (corresponding period in 2016: approximately 0.8%).

Cost of sales for the Group reached approximately NTD622.5 million (corresponding period in 2016: NTD586.8 million). This increase in the cost of sales was mainly due to an increase in the overall revenue of the Group as well as an increase in SME material costs along with parts and labor costs.

During the period under review, the Group's gross profit amounted to approximately NTD146.7 million (corresponding period in 2016: approximately NTD133.7 million), while the gross profit margin was approximately 19.1% (corresponding period in 2016: approximately 18.6%) and remained as fairly stable as compared with last corresponding period.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the six months ended 30 June 2016 and 2017. The Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

As at 30 June 2017, the borrowings of the Group totaled approximately NTD460.4 million (31 December 2016: approximately NTD473.1 million). The gearing ratio of the Group was approximately 166.0% (31 December 2016: approximately 190.2%).

Charge on Assets

As at 30 June 2017, the Group had certain land and building which were pledged to secure the Group's long-term bank borrowing, with a principal amount of NTD125.0 million.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The business operations of the Group's subsidiaries were mainly conducted in the Taiwan with most of the transactions settled in NTD and USD. As at the date of this announcement, 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 period under review, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Capital Commitments and Contingent Liabilities

As at 30 June 2017, the Group did not have any significant capital commitments (31 December 2016: Nil) and significant contingent liability (31 December 2016 Nil).

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

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the period.

HUMAN RESOURCES

As at 30 June 2017, the Group employed approximately 121 employees. All of our staff are full-time employees and located in Taiwan.

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

USE OF PROCEEDS FROM THE SHARE OFFER

The Company intends to apply the net proceeds in the manner as stated in the prospectus of the Company dated 30 June 2017 (the "**Prospectus**"). As at 30 June 2017, the Company has not received any proceeds from the Share Offer as the shares of the Company listed on the GEM of the Stock Exchange at 14 July 2017.

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

- (1) building an extra floor on its existing self-owned headquarter located in Taiwan;
- (2) repaying bank loans;

- (3) research and development project corporating with Industrial technology Research Institute of Taiwan and its in-house research and development;
- (4) recruiting new staff for handling unrefurbished used SME and the provision of turnkey solution; and
- (5) working capital of the Group.

Dividend

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 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

The Shares were listed on GEM of the Stock Exchange on 14 July 2017. As at 30 June 2017, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO). As at the date of this announcement, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to

Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

| Name of Director | Capacity/ Nature of Interest | Number of Shares held | Approximate percentage of total number of Shares |
|-------------------------|--|---------------------------------------|---|
| Mr. Yang Ming-Hsiang | Beneficial owner | 27,975,000 | 2.79% |
| | Interest in persons acting in concert (<i>Note</i>) | <u>654,075,000</u> (long position) | 65.41% |
| | | <u>682,050,000</u> (long position) | <u>68.20%</u> |
| Mr. Fan Chiang-Shen | Beneficial owner | 2,925,000 | 0.29% |
| | Interest in persons acting in concert (<i>Note</i>) | <u>679,125,000</u> (long position) | 67.91% |
| | | <u>682,050,000</u> (long position) | <u>68.20%</u> |
| Ms. Wei Hung-Li | Beneficial owner | 19,125,000 | 1.91% |
| | Interest in persons acting in concert (<i>Note</i>) | <u>662,925,000</u> (long position) | 66.29% |
| | | <u>682,050,000</u> (long position) | <u>68.20%</u> |

Note: Pursuant to the concert party agreement dated 22 August 2016 (the “**Concert Party Agreement**”) entered into by Mr. Yang Ming-Hsiang, Tai Yi Investment Co. Ltd., Ms. Wei Hung-Li, Mr. Fan Chiang-Shen and Mr. Lin Yen-Po (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 arrangement 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 controlled by the Concert Parties.

Save as disclosed above, as at 30 June 2017 and as at of the date of this announcement, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 June 2017, there was no interest in the Shares and underlying Shares which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO. As at the date of this announcement, to the best knowledge of the Directors, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company 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 shareholder | Capacity/ Nature of Interest | Number of Shares held | Approximate percentage of total number of Shares |
|-------------------------------------|---|--|---|
| Queenbest (Note 1) | Beneficial owner | 374,625,000 <u>(long position)</u> | 37.46% |
| Ever Wealth (Note 2) | Beneficial owner | 81,150,000 <u>(long position)</u> | 8.11% |
| Planeta (Note 3) | Beneficial owner | 63,750,000 <u>(long position)</u> | 6.38% |
| Tai Yi (Note 5) | Beneficial owner | 111,300,000 <u>(long position)</u> | 11.13% |
| | Interest in persons acting in concert (Note 4) | 570,750,000 <u>(long position)</u> | 57.07% |
| | | <u>682,050,000</u> <u>(long position)</u> | <u>68.20%</u> |
| Mr. Chen Yuan-Chi (陳源基) (Note 6) | Interest of a controlled corporation (Note 6) | 682,050,000 <u>(long position)</u> | 68.20% |
| Mr. Lin Yen-Po | Beneficial owner | 1,200,000 <u>(long position)</u> | 0.12% |
| | Interest in persons acting in concert (Note 4) | 680,850,000 <u>(long position)</u> | 68.08% |
| | | <u>682,050,000</u> <u>(long position)</u> | <u>68.20%</u> |

| Name of shareholder | Capacity/ Nature of Interest | Number of Shares held | Approximate percentage of total number of Shares |
|------------------------------------|---|--|---|
| Double Solutions (<i>Note 7</i>) | Beneficial interest | 67,950,000 (<u>long position</u>) | 6.80% |
| Ms. Chan Suk Sheung Rembi | Interest of a controlled corporation (<i>Note 8</i>) | 67,950,000 (<u>long position</u>) | 6.80% |

Notes:

- Queenbest Development Limited (“**Queenbest**”) is a company incorporated in the British Virgin Islands (the “**BVI**”). As at the date of this announcement, it was held by 45 individual shareholders and Mr. Yang Ming-Hsiang was interested in approximately 27.6%, Ms. Wei Hung-Li was interested in approximately 10.2%, Mr. Fan Chiang-Shen was interested in approximately 10.7% and Mr. Lin Yen-Po was interested in approximately 5.1% of its shareholding. The other shareholders were mainly employees and ex-employees of Genes Tech Co. (“**Genes Tech**”), Ltd., an indirect wholly-owned subsidiary of the Company, who were independent third parties (as defined under the GEM Listing Rules) (“**Independent Third Parties**”) and each held interests ranging from approximately 0.02% to 7.3%.
- Ever Wealth Holdings Limited (“**Ever Wealth**”) is a company incorporated in the Republic of Seychelles. As at the date of this announcement, it was held by nine individual shareholders and Mr. Yang Ming-Hsiang was interested in approximately 28.0%, Ms. Wei Hung-Li was interested in approximately 4.8% and Mr. Lin Yen-Po 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%.
- Planeta Investments Limited (“**Planeta**”) is a company incorporated in Anguilla. As at the date of this announcement, it was held by 10 individual shareholders and Mr. Yang Ming-Hsiang was interested in approximately 28.5%, Ms. Wei Hung-Li was interested in approximately 4.3%, Mr. Fan Chiang-Shen was interested in approximately 10.7% and Mr. Lin Yen-Po was interested in approximately 17.8% of its shareholding. The other shareholders were mainly employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
- Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangement pertaining to their shareholding. Mr. Yang Ming-Hsiang, Tai Yi Investment Co. Ltd., Ms. Wei Hung-Li, Mr. Fan Chiang-Shen and Mr. Lin Yen-Po 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 controlled by the Concert Parties.
- Tai Yi Investment Co. Ltd. (台儀投資事業有限公司) (“**Tai-Yi**”) is a company incorporated in Taiwan. As at the date of this announcement, it was held by six individual shareholders. Tai Yi is a party to the Concert Party Agreement.
- Mr. Chen Yuan-Chi (陳源基) 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.
- Double Solutions Limited (“**Double Solutions**”) is incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.
- Ms. Chan Suk Sheung Rembi 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.

Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the six months ended 30 June 2017 and up to the date of this announcement, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for Shares or underlying Shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the six months ended 30 June 2017 and up to the date of this announcement 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 and/or its associated corporations (within the meaning of the SFO).

Directors' Interest in Competing Business

For the six months ended 30 June 2017 and up to the date of this announcement, none of the Directors, nor the substantial shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests (other than their interests in the Shares or (prior to completion of the Reorganisation) its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

Directors' Interest in Contracts

Save as disclosed in Note 13 to the unaudited condensed consolidated interim results in this announcement, there was no other contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

Compliance Adviser's Interests

As notified by Ample Capital Limited ("**Ample**"), compliance adviser of the Company, neither Ample nor any of its close associates and none of the directors or employees of Ample had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2017.

The compliance adviser's appointment is for a period commencing on 14 July 2017 (i.e. the date of Listing) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after the date of Listing, or until the compliance adviser agreement entered into between Ample and the Company (the "**Compliance Adviser Agreement**") is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the Compliance Adviser Agreement, Ample receives fees for acting as the Company's compliance adviser.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (“**Securities Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Shares were first listed on GEM of the Stock Exchange on 14 July 2017. Each of the Directors gave confirmation that he/she was in compliance with the Securities Code since the date of Listing.

Compliance with the Code of Corporate Governance

The Group has adopted the principles and code provisions set out in the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision A.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the individual, Yang Ming-Hsiang is the Chairman and the chief executive officer (the “**CEO**”) of the Company. In view of Mr. Yang having assumed day-to-day responsibilities in operating and managing the Group since 2009 and the rapid development of the Group, the Board believes that with the support of Mr. Yang extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and CEO of the Company in Mr. Yang strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision making which is in the best interest of the Group.

The Directors consider that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances. 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.

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders as a whole. The Directors are aware that the Group is expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim reports and annual report in respect of the relevant period. Save as disclosed above, the Company has complied with all the code provisions set out in the Corporate Governance Code since the date of Listing.

Audit Committee and Review of Financial Statements

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

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017, this interim report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

Share Option Scheme

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

Purchase, Sale or Redemption of the Company’s Listed Securities

The Shares were first listed on GEM of the Stock Exchange on 14 July 2017. During the six months ended 30 June 2017 and up to the date of this announcement, the Share Offer neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

The Shares were listed on the GEM on 14 July 2017 by way of Share Offer and completed the Share Offer of its 250,000,000 new ordinary shares at HK\$0.22 each for the net proceeds of approximately HK\$42.2 million. Details of the Share Offer are set out in the Prospectus.

By order of the Board
Genes Tech Group Holdings Company Limited
Yang Ming-Hsiang
Chairman and Executive Director

Hong Kong, 14 August 2017

As at the date of this announcement, the executive Directors are Mr. Yang Ming-Hsiang, Mr. Fan Chiang-Shen and Ms. Wei Hung-Li; and the independent non-executive Directors are Mr. Kam Leung Ming, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM”) 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.genestech.com.