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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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.

*This announcement, for which the directors (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 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.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

		Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		NTD'000	NTD'000	NTD'000	NTD'000
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	4	345,257	468,557	1,188,597	1,417,145
Cost of sales	5	<u>(268,842)</u>	<u>(364,278)</u>	<u>(886,247)</u>	<u>(1,053,593)</u>
Gross profit		76,415	104,279	302,350	363,552
Other income		7,669	287	7,782	902
Other (losses)/gains, net		(4,265)	(13,412)	1,693	(11,124)
Selling and distribution expenses	5	(7,453)	(6,828)	(20,448)	(24,815)
General and administrative expenses	5	<u>(41,425)</u>	<u>(42,237)</u>	<u>(123,275)</u>	<u>(123,860)</u>
		30,941	42,089	168,102	204,655
Finance income		18	13	99	334
Finance costs		<u>(3,144)</u>	<u>(4,231)</u>	<u>(11,152)</u>	<u>(10,738)</u>
Profit before income tax		27,815	37,871	157,049	194,251
Income tax expense	6	<u>(10,061)</u>	<u>(8,592)</u>	<u>(43,315)</u>	<u>(54,392)</u>
Profit for the period attributable to owners of the Company		<u>17,754</u>	<u>29,279</u>	<u>113,734</u>	<u>139,859</u>
Other comprehensive income/ (loss), net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		<u>2,858</u>	<u>(820)</u>	<u>3,242</u>	<u>228</u>
Total comprehensive income for the period attributable to owners of the Company		<u>20,612</u>	<u>28,459</u>	<u>116,976</u>	<u>140,087</u>
Earnings per share					
Basic and diluted (NTD cents)	7	<u>1.78</u>	<u>2.93</u>	<u>11.37</u>	<u>13.99</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share capital <i>NTD'000</i>	Share premium <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 equity <i>NTD'000</i>
At 1 January 2019 (audited)	38,815	146,571	39,760	182,226	(1,242)	82,040	488,170
Profit for the period	–	–	–	–	–	139,859	139,859
Other comprehensive income	–	–	–	–	228	–	228
Total comprehensive income for the period	–	–	–	–	228	139,859	140,087
Transfer to statutory reserve	–	–	16,856	–	–	(16,856)	–
Dividend declared (<i>note 8</i>)	–	–	–	–	–	(39,240)	(39,240)
At 30 September 2019 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>56,616</u>	<u>182,226</u>	<u>(1,014)</u>	<u>165,803</u>	<u>589,017</u>
At 1 January 2020 (audited)	38,815	146,571	56,616	182,226	(2,966)	204,976	626,238
Profit for the period	–	–	–	–	–	113,734	113,734
Other comprehensive income	–	–	–	–	3,242	–	3,242
Total comprehensive income for the period	–	–	–	–	3,242	113,734	116,976
Transfer to statutory reserve	–	–	30,292	–	–	(30,292)	–
Dividend declared (<i>note 8</i>)	–	–	–	–	–	–	–
At 30 September 2020 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>86,908</u>	<u>182,226</u>	<u>276</u>	<u>288,418</u>	<u>743,214</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 30 September 2020

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

These condensed consolidated financial information for the nine months ended 30 September 2020 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 2019, which have been prepared in accordance with HKFRSs issued by the HKICPA.

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

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

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

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 2019, 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 2020. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

4 REVENUE AND SEGMENT INFORMATION

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)	2020 NTD'000 (Unaudited)	2019 NTD'000 (Unaudited)
Provision of turnkey solution	233,342	410,791	834,343	1,327,381
Manufacturing and trading of used semiconductor manufacturing equipment and parts	111,915	57,766	354,254	89,764
Revenue recognised at a point in time	<u>345,257</u>	<u>468,557</u>	<u>1,188,597</u>	<u>1,417,145</u>

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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Taiwan (place of domicile)	243,737	242,801	721,702	852,008
PRC	50,254	174,040	281,154	316,089
United States	47,714	30,475	144,910	59,099
Singapore	3,306	20,628	39,297	131,914
Japan	139	613	652	56,915
Other countries	107	–	882	1,120
	<u>345,257</u>	<u>468,557</u>	<u>1,188,597</u>	<u>1,417,145</u>
Revenue recognised at a point in time	<u>345,257</u>	<u>468,557</u>	<u>1,188,597</u>	<u>1,417,145</u>

Information about major customers

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customers				
A	107,889	109,226	205,121	280,526
B	47,810	29,253	172,308	50,838
C	14,966	44,359	154,352	445,034
D	45,296	10,203	142,164	55,665
	<u>45,296</u>	<u>10,203</u>	<u>142,164</u>	<u>55,665</u>

5 EXPENSES BY NATURE

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration				
— Audit services	2,341	2,053	7,139	6,566
— Non-audit services (note (a))	—	—	1,935	3,835
Cost of materials used	203,845	304,339	695,295	874,929
Amortisation of intangible assets (note (b))	2,523	2,803	7,516	4,771
Depreciation of property, plant and equipment (note (c))	4,086	3,055	11,309	9,811
Depreciation of right-of-use assets (note (c))	2,712	1,462	7,907	4,137
Research expense	311	338	838	966
Provision for warranty, net	5,660	10,095	24,612	38,565
Employee benefit expenses	57,782	55,684	170,097	156,587
Professional fees	6,140	4,649	23,637	23,011
Commission	3,715	5,408	8,915	5,853
Operating lease payments	331	535	991	1,808
Delivery charges	4,795	5,439	14,651	13,926
Travelling	5,658	7,165	10,198	17,591
Insurance	5,241	4,985	16,196	14,113
Entertainment	535	1,042	1,433	2,377
Utilities	631	1,100	2,138	2,373
Advertising	1,873	964	2,371	3,573
Others	9,541	2,227	22,792	17,476

Notes:

- (a) Non-audit services for the nine months ended 30 September 2020 represent the services provided by the Company's auditor for the proposed transfer from GEM to Main Board of the Stock Exchange.
- (b) Amortisation of intangible assets is included in "General and administrative expenses".
- (c) Depreciation of property, plant and equipment and right-of-use assets are included in "Cost of sales" and "General and administrative expenses" amounting to approximately NTD7,006,000 (30 September 2019: NTD5,439,000) and NTD12,210,000 (30 September 2019: NTD8,509,000), respectively, for the period.

6 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (30 September 2019: 23.6%).

7 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD113,734,000 (30 September 2019: approximately NTD139,859,000) and the weighted average of 1,000,000,000 (30 September 2019: 1,000,000,000) shares in issue during the period.

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	17,754	29,279	113,734	139,859
Weighted average number of ordinary shares in issue (thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (NTD cents per share)	<u>1.78</u>	<u>2.93</u>	<u>11.37</u>	<u>13.99</u>

(b) Diluted

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

8 DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The world continued to be affected by COVID-19, which has driven various industries to adjust their operation models, introduced digital transformation to explore new business opportunities, encouraged enterprises to accelerate the introduction of cloud computing, smart factories, robotics and other technologies, and provided remote services through virtual reality, augmented reality and other methods, driving the development of zero-contact economy. Compared with other countries in Asia, the novel coronavirus pneumonia (COVID-19) epidemic has not caused significant impact on Taiwan economy. Taiwan's third quarter estimated economic growth rate has significantly adjusted upward to 3.33%, representing an increase of 1.32 percentage points from the 2.01% forecast in August 2020, reaching a nine quarters high for Taiwan, with both export and domestic consumption performing better than expected. Taiwan exports increased by 6.01% to USD90.08 billion in the third quarter, benefiting from 5G planning and development, long-distance business opportunities and demand for new electronic products. In addition, the Taiwan government has invested resources to promote the technological advancement of the local semiconductor industry to support the development of various innovative fields such as AIoT, 5G and 6G in the future, and promote cross-segment cooperation for semiconductors, which has brought many business opportunities to the semiconductor industry. For the nine months ended 30 September 2020, the Group continued to adjust its business strategies in a timely manner in response to the development of the industry and through effective management, maintained a stable profit and income under the fierce market competition.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of SME and parts in Taiwan, mainly engaging in providing turnkey solution of SME and parts to customers, and modifying and/or upgrading the semiconductor equipment of its production systems according to customers' needs. In addition, the Group also engages in the trading of SME and parts. For the nine months ended 30 September 2020, the total revenue of the Group amounted to approximately NTD1,188.60 million (corresponding period in 2019: approximately NTD1,417.15 million). Total comprehensive income for the period attributable to owners of the Company amounted to approximately NTD116.98 million (corresponding period in 2019: approximately NTD140.09 million). Basic earnings per share were NTD11.37 cents (corresponding period in 2019: NTD13.99 cents).

TURNKEY SOLUTIONS

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

For the nine months ended 30 September 2020, the revenue from turnkey solution of the Group amounted to approximately NTD834.34 million (corresponding period in 2019: approximately NTD1,327.38 million), accounting for approximately 70.20% of the Group's total revenue.

TRADING OF SME AND PARTS

During the period under review, the revenue of the Group amounted to approximately NTD354.25 million (corresponding period in 2019: approximately NTD89.76 million) from the trading of SME and parts, representing an increase of approximately 294.66% as compared to the corresponding period last year and accounting for approximately 29.80% of the Group's total revenue. The significant revenue growth of this business was attributable to the acquisition of Astro Thermal Technology Corporation last year, which not only brought a more diversified product portfolio to the Group, but also satisfied the needs of existing customers, attracted new customers for the Group and became the driving force for revenue growth.

FINANCIAL REVIEW

For the nine months ended 30 September 2020, the revenue of the Group amounted to approximately NTD1,188.60 million (corresponding period in 2019: approximately NTD1,417.15 million), representing a decrease of approximately 16.13% as compared to last year. During the period, the revenue from the business of turnkey solution and trading of SME and parts amounted to approximately NTD834.34 million and NTD354.25 million, respectively.

Total comprehensive income for the period attributable to owners of the Company amounted to approximately NTD116.98 million (corresponding period in 2019: approximately NTD140.09 million), while basic earnings per share amounted to NTD11.37 cents (corresponding period in 2019: NTD13.99 cents). The cost of sales of the Group amounted to approximately NTD886.25 million (corresponding period in 2019: approximately NTD1,053.59 million).

The Group has been committed to providing turnkey solution and trading of SME and parts to its customers, as well as repairing, upgrading and modifying its existing SME so that the customers can expand the production equipment at a relatively low cost. At present, the semiconductor industry is booming and semiconductor manufacturers in various countries have increased their investment. Having the non-mainstream operating advantages, the Group has been able to seize the opportunities and continued to secure more domestic and international orders to expand its revenue sources. During the period under review, revenue from the domestic business in Taiwan accounted for approximately 60.72% of the Group's total revenue. The US semiconductor customers have also gradually shifted to cooperate with suppliers in Taiwan, which in turn contributed to the revenue of the Group's US business, which surged by 145.20% as compared to the same period last year.

During the period under review, the Group's gross profit amounted to approximately NTD302.35 million (corresponding period in 2019: approximately NTD363.55 million); and the gross profit margin was 25.44% (corresponding period in 2019: 25.65%).

OUTLOOK

Despite the global outbreak of COVID-19 epidemic in 2020, the global semiconductor market continues to grow. According to the estimates of the International Semiconductor Industry Association (SEMI), the value of global output of semiconductors will increase by 3.3% this year, and the output value of Taiwan is expected to exceed NTD3 trillion with a promising prospect, remaining the second place in the world, after the United States and the third place in South Korea. The intensifying tension in Sino-US trade relations have led to closer cooperation between the United States and Taiwan, which will strengthen the position of Taiwan's semiconductor industry. In recent years, the scale of investment of Taiwan semiconductor manufacturers has exceeded NTD2.72 trillion, in order to establish a larger semiconductor industry cluster and strive to establish Taiwan as an advanced semiconductor process center, which will help attract more foreign enterprises, such as those engaged in semiconductor equipment and materials, to invest in Taiwan, expand cooperation with each other and improve the semiconductor supply chain, so that Taiwan is expected to become a new technology innovation center in the Asia Pacific region in the long run.

Looking forward, with the advent of the digital economy era, the restructuring of the global industrial landscape will be promoted, and the information and communication technology will fully penetrate and integrate all industries. During the time of the epidemic, the application potential of emerging digital technologies such as big data, AI, etc. has rapidly grown under the control measures of lockdown across various cities and countries. It is expected that after the epidemic, long-distance working and teaching models will become a new normal. Enterprises will accelerate the introduction of robots into business operations, and cloud and network services will become more popular, which will gradually change people's original lifestyle and consumption patterns and develop into a zero-contact economic model. Therefore, the market expects that the global demand for high-tech end products will increase, which will in turn drive the growth of demand for semiconductor equipment. The Institute of Industry Intelligence (MIC) estimates that the global semiconductor capital expenditure will grow by 17.8% and the semiconductor market will grow by 8.0% to 12.0% in the next year.

In the past year, the epidemic has not only affected the global economic outlook, but also disrupted people's original lifestyle and working methods, laying a foundation for new economic growth. The huge market potential not only continues to consolidate the domestic development of Taiwan semiconductor industry, but also brings unprecedented new opportunities for domestic semiconductor enterprises to expand into international markets. The Group will continue to pay close attention to the latest development of the epidemic and the related impact, keep an eye on the changes in the macro environment, make timely assessment of the internal financial position and operation, adopt proactive and positive response strategies and intensify marketing efforts. The Directors believe that as opportunities arise, the Group will respond to market changes in a prudent and prompt manner, and take advantage of the Group's core business to explore new business opportunities. The Group believes that the semiconductor market will grow faster than expected after the epidemic. The Directors are confident in the current business deployment and will lead the Group to seize the opportunities during the market growth more quickly and accurately, so as to capture the market share, further enhance its competitiveness and consolidate its leading position in the industry.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the nine months ended 30 September 2020. The Group's primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 30 September 2020, the borrowings of the Group totalled approximately NTD723.62 million (31 December 2019: approximately NTD778.95 million). As at 30 September 2020, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 76.53% (31 December 2019: approximately 102.45%).

CHARGE ON ASSETS

As at 30 September 2020, certain land and buildings of the Group were pledged to secure the Group's long-term and short-term bank borrowings, with the carrying amount of approximately NTD272.75million (31 December 2019: approximately NTD206.03 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The business operations of the Group's subsidiaries were mainly conducted in Taiwan with most of the transactions settled in NTD and USD. As at the date of this announcement, the board of Directors (the "Board") considers that the foreign currencies (mainly USD) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

For the nine months ended 30 September 2020, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant capital commitments (31 December 2019: Nil) and did not have any significant contingent liability (31 December 2019: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND CAPITAL ASSETS

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

HUMAN RESOURCES

As at 30 September 2020, the Group employed approximately 266 employees. All of our staff are full-time employees and located in Taiwan.

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

DIVIDEND

The Board does not recommend payment of an interim dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: Nil).

OTHER INFORMATION

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

As at 30 September 2020, 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 Interest in persons acting in concert (<i>Note</i>)	27,975,000	2.79%
		654,075,000	65.41%
		<u>682,050,000</u>	<u>68.20%</u>
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner Interest in persons acting in concert (<i>Note</i>)	19,125,000	1.91%
		662,925,000	66.29%
		<u>682,050,000</u>	<u>68.20%</u>
Mr. Fan Chiang-Shen ("Mr. Fan")	Beneficial owner Interest in persons acting in concert (<i>Note</i>)	2,925,000	0.29%
		679,125,000	67.91%
		<u>682,050,000</u>	<u>68.20%</u>
Mr. Lin Yen-Po ("Mr. Lin")	Beneficial owner Interest in persons acting in concert (<i>Note</i>)	1,200,000	0.12%
		680,850,000	68.08%
		<u>682,050,000</u>	<u>68.20%</u>

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. Fan and Mr. Lin, a group of controlling shareholders (as defined under the GEM Listing Rules) (the “Controlling Shareholders”) of the Company (the “Concert Parties”), the Concert Parties have agreed with certain arrangements pertaining to their shareholding. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties’ control.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

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

As at 30 September 2020, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares:

Name of substantial shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Queenbest Development Limited ("Queenbest") (Note 1)	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited ("Ever Wealth") (Note 2)	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited ("Planeta") (Note 3)	Beneficial interest	63,750,000	6.38%
Tai-Yi Investment Co. Ltd. ("Tai Yi") (Note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (Note 5)	570,750,000	57.07%
		<u>682,050,000</u>	<u>68.20%</u>
Mr. Chen Yuan-Chi ("Mr. Chen") (Note 6)	Interest of a controlled corporation	682,050,000	68.20%
Double Solutions Limited ("Double Solutions") (Note 7)	Beneficial interest	67,950,000	6.80%
Ms. Chan Suk Sheung Rembi ("Ms. Chan") (Note 8)	Interest of a controlled corporation	67,950,000	6.80%

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the “BVI”). As at the date of this announcement, it was held by 41 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding. The other shareholders were mainly employees and ex-employees of Genes Tech Co., Ltd. (“Genes Tech”, an indirect wholly-owned subsidiary of the Company) who were independent third parties (as defined under the GEM Listing Rules) (“Independent Third Parties”) and each held interests ranging from approximately 0.01% to 8.0%.
- (2) Ever Wealth is a company incorporated in the Republic of Seychelles. As at the date of this announcement, it was held by 9 individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
- (3) Planeta is a company incorporated in Anguilla. As at the date of this announcement, 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. Fan was interested in approximately 10.7% and Mr. Lin 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%.
- (4) Tai Yi is a company incorporated in Taiwan. As at the date of this announcement, it was held by 6 individual shareholders. Tai Yi is a party to the Concert Party Agreement.
- (5) Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangements pertaining to their shareholding. Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of Controlling Shareholders. The interests in these shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties’ control.
- (6) Mr. Chen is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these shares pursuant to Part XV of the SFO.
- (7) Double Solutions is a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.
- (8) Ms. Chan is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these shares pursuant to Part XV of the SFO.

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the nine months ended 30 September 2020 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 interests in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the nine months ended 30 September 2020 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 or its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 ("the Listing Date") to 30 September 2020, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group's business) which, directly or indirectly, was or may be in competition or otherwise had any conflicts of interests with the Group's business.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the period from the Listing Date to 30 September 2020.

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 2020 to 30 September 2020.

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2020 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2020, the third quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

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

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

From 1 January 2020 to 30 September 2020, 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
Genes Tech Group Holdings Company Limited
Yang Ming-Hsiang
Chairman and Chief Executive Officer

Taiwan, 11 November 2020

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

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.