nichetech

NICHE-TECH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8490)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 board (the "**Board**") of directors (the "**Directors**") of Niche-Tech Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "**Group**"). 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.*

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2018 together with the comparative audited figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*4*	**184,439**	180,522
Cost of sales		**(143,626)**	(142,842)
Gross profit		**40,813**	37,680
Other income, other gains and losses	*5*	**3,851**	7,323
Impairment losses recognised, net		**(125)**	(1,405)
Selling and distribution expenses		**(10,908)**	(10,725)
Administrative expenses		**(19,487)**	(13,969)
Listing expenses		**(10,401)**	(10,711)
Finance costs	*6*	**(699)**	(3,792)
Profit before taxation		**3,044**	4,401
Income tax expense	*7*	**(2,694)**	(2,409)
Profit for the year	*8*	**350**	1,992
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(11,283)**	7,855
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**896**	(967)
Other comprehensive (expense) income for the year		**(10,387)**	6,888
Total comprehensive (expense) income for the year		**(10,037)**	8,880
Earnings per share			
– basic (HK cents)	*10*	**0.06**	0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTES	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Plant and equipment		**46,832**	40,090
Intangible assets		**47,570**	42,237
Deposits paid for acquisition of plant and equipment and intangible assets		**2,920**	8,685
Deposits		**608**	252
Deferred tax assets		**3,093**	3,513
		101,023	94,777
CURRENT ASSETS			
Inventories		**21,130**	18,964
Trade and bills receivables	*11(a)*	**74,166**	59,635
Other receivables, prepayments and deposits	*11(b)*	**3,303**	7,951
Bank deposits		**60,096**	–
Bank balances and cash		**15,410**	10,758
		174,105	97,308
CURRENT LIABILITIES			
Trade and other payables	*12*	**12,223**	12,832
Contract liabilities	*13*	**172**	–
Tax payable		**1,399**	1,454
Bank borrowings		**13,786**	22,693
Deferred income		**1,327**	1,320
		28,907	38,299
NET CURRENT ASSETS		**145,198**	59,009
TOTAL ASSETS LESS CURRENT LIABILITIES		**246,221**	153,786
NON-CURRENT LIABILITY			
Deferred income		**9,093**	10,702
NET ASSETS		**237,128**	143,084
CAPITAL AND RESERVES			
Share capital	*14*	**7,055**	–*
Reserves		**230,073**	143,084
		237,128	143,084

* *Less than HK$1,000*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000* *(note i)*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000* *(note ii)*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 2017	–	–	100,000	1	(10,542)	2,863	12,837	105,159
Profit for the year	–	–	–	–	–	–	1,992	1,992
Exchange differences arising on translation to presentation currency	–	–	–	–	7,855	–	–	7,855
Exchange differences arising on translation of foreign operations	–	–	–	–	(967)	–	–	(967)
Total comprehensive income for the year	–	–	–	–	6,888	–	1,992	8,880
Deemed distributions to Chows Electronics Limited ("**Chows Electronics**") *(note iii)*	–	–	–	–	–	–	(955)	(955)
Transfer to statutory reserve	–	–	–	–	–	1,330	(1,330)	–
Issue of shares *(note 14)*	–*	30,000	–	–	–	–	–	30,000
At 31 December 2017	–*	30,000	100,000	1	(3,654)	4,193	12,544	143,084
Adjustment *(note 2)*	–	–	–	–	–	–	(1,089)	(1,089)
At 1 January 2018 (restated)	**–***	**30,000**	**100,000**	**1**	**(3,654)**	**4,193**	**11,455**	**141,995**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**350**	**350**
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**–**	**(11,283)**	**–**	**–**	**(11,283)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**896**	**–**	**–**	**896**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(10,387)**	**–**	**350**	**(10,037)**
Issue of new shares *(note 14)*	**1,955**	**111,435**	**–**	**–**	**–**	**–**	**–**	**113,390**
Transaction costs attributable to issue of new shares	**–**	**(8,220)**	**–**	**–**	**–**	**–**	**–**	**(8,220)**
Issue of shares by capitalisation of share premium account	**5,100**	**(5,100)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**1,583**	**(1,583)**	**–**
At 31 December 2018	**7,055**	**128,115**	**100,000**	**1**	**(14,041)**	**5,776**	**10,222**	**237,128**

* *Less than HK$1,000*

Notes:

(i) On 1 April 2016, Niche-Tech BVI Limited ("**Niche-Tech BVI**"), which was then wholly and directly owned by Chows Electronics, which had been, in turn, owned as to 55% by Professor Chow Chun Kay, Stephen ("**Professor Chow**") and 45% by Mr. Chow Bok Hin, Felix ("**Mr. Chow**"), acquired Niche-Tech Holdings Limited ("**Niche-Tech Holdings**"), which had been the holding company of 汕頭市駿碼凱撒有限公司, or Niche-Tech Kaiser (Shantou) Limited* ("**Niche-Tech Shantou**") and Niche-Tech (Hong Kong) Limited ("**Niche-Tech (HK)**"), from Chows Electronics for a consideration of HK$100,000,000, which was equivalent to the then issued share capital of Niche-Tech Holdings. Accordingly, the share capital of Niche-Tech Holdings had been eliminated as one of the subsidiaries of Niche-Tech BVI and transferred to other reserve.

Pursuant to a resolution passed by the board of directors of Chows Electronics, Chows Electronics determined to waive the consideration payable by Niche-Tech BVI for the acquisition of Niche-Tech Holdings.

(ii) Amount represents statutory reserve of the Group's subsidiary in the People's Republic of China (the "**PRC**"). According to the relevant laws in the PRC, the Group's subsidiary in the PRC is required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(iii) During the year ended 31 December 2017, the Group had an amount due from Chows Electronics that was unsecured, interest-bearing at 3.49% per annum and repayable on demand and such amount due from Chows Electronics was fully settled by Chows Electronics during the year ended 31 December 2017. The amount was measured at fair value at initial recognition using a market interest rate and based on the management's estimate of the timing of recovery. The differences between the respective fair values at initial recognition and the amount advanced to Chows Electronics were recognised in equity as deemed distributions, and the amount due from Chows Electronics was carried at amortised cost using the effective interest method. During the year ended 31 December 2017, the Group adjusted the carrying amount to reflect the change in estimation of the timing of recovery and the carrying amount was adjusted to reflect the change of estimations. The adjustments were also recognised in equity as deemed distributions to Chows Electronics.

* *English name for identification purpose only.*

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**3,044**	4,401
Adjustments for:		
Finance costs	**699**	3,792
Net loss on disposal of plant and equipment	**14**	11
Depreciation of plant and equipment	**5,842**	4,592
Amortisation of intangible assets	**4,224**	3,363
Release of deferred income	**(1,362)**	(110)
Impairment losses recognised, net	**125**	1,405
Bank interest income	**(661)**	(28)
Interest income on amount due from a related party	**–**	(3,199)
Unrealised exchange gains	**1,239**	(3,073)
Operating cash flows before movements in working capital	**13,164**	11,154
Increase in inventories	**(3,228)**	(30)
Increase in trade and bills receivables	**(16,664)**	(13,481)
(Decrease) increase in other receivables, prepayments and deposits	**2,875**	(892)
Increase in trade and other payables	**457**	2,998
Increase in contract liabilities	**37**	–
Increase in deferred income	**331**	136
Cash used in operations	**(3,028)**	(115)
Income tax paid	**(2,351)**	(3,062)
NET CASH USED IN OPERATING ACTIVITIES	**(5,379)**	(3,177)
INVESTING ACTIVITIES		
Placement of bank deposit	**(30,000)**	–
Development costs paid	**(9,883)**	(9,766)
Deposits paid for acquisition of plant and equipment and intangible assets	**(6,975)**	(10,540)
Acquisition of plant and equipment	**(6,146)**	(2,251)
Acquisition of intangible assets	**(405)**	–
Interest received	**661**	28
Proceeds from disposal of plant and equipment	**52**	–
Advances to a related party	**–**	(15,964)
Repayments from a related party	**–**	151,182
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(52,696)**	112,689

	2018	2017
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Issue of shares	**113,390**	30,000
Bank borrowings raised	**42,048**	143,887
Repayment of bank borrowings	**(51,013)**	(274,261)
Listing costs paid	**(5,490)**	(2,605)
Interests paid	**(633)**	(3,533)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**98,302**	(106,512)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**40,227**	3,000
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(5,479)**	77
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,758**	7,681
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**45,506**	10,758
Represented by:		
Bank deposits with original maturity of less than 3 months	**30,096**	–
Bank balances and cash	**15,410**	10,758
	45,506	10,758

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 May 2018. The addresses of the registered office and principal place of business of the Company are Unit 208, 2/F, Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the development, manufacture and sales of semiconductor packaging materials.

To rationalise the corporate structure in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "**Reorganisation**").

Prior to the Reorganisation, Niche-Tech BVI, which was the then holding company of the Group's operating subsidiaries, namely Niche-Tech Holdings, Niche-Tech Kaiser International Inc. Niche-Tech Shantou and Niche-Tech (HK), was wholly and directly owned by Chows Electronics. Chows Electronics, in turn, is owned as to 55% by Professor Chow and 45% by Mr. Chow, both of whom have agreed to act in concert. Chows Electronics does not form part of the Group.

The Reorganisation mainly involved (i) incorporating the Company as an exempted company with limited liability in the Cayman Islands; (ii) acquiring Niche-Tech BVI by the Company from Chows Electronics; and (iii) transferring the Company's shares to Professor Chow and Mr. Ma Ah Muk ("**Mr. Ma**"), pursuant to an exchangeable deed.

Major steps of the Reorganisation are as follows:

(i) On 21 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of par value of HK$0.01 each. On the date of incorporation, 1 fully-paid share, representing the entire issued share capital of the Company, was allotted and issued to the initial subscriber, and was subsequently transferred to Niche-Tech Investment Holdings Limited ("**BVI Holdings**"). BVI Holdings was a company incorporated in the British Virgin Islands ("**BVI**") and was wholly-owned by Chows Investment Group Limited ("**BVI Chows**"). BVI Chows, in turn, was a company incorporated in BVI and was owned as to 60% by Professor Chow and 40% by Mr. Chow, both of whom had agreed to act in concert. Neither BVI Holdings nor BVI Chows formed part of the Group.

(ii) On 1 March 2017, Chows Electronics (as vendor), which was directly controlled by Professor Chow and Mr. Chow acting in concert, and the Company (as purchaser), which is indirectly controlled by Professor Chow and Mr. Chow acting in concert through BVI Holdings and BVI Chows, entered into a share swap agreement whereby the Company agreed to purchase, and Chows Electronics agreed to sell, the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, the Company allotted and issued 999 new shares, credited as fully paid, to Chows Electronics, who nominated BVI Holdings to receive such shares. After completion of this acquisition, BVI Holdings holds 1,000 shares, representing the entire issued share capital, in the Company. The Company then became the holding company of the Group.

(iii) On 1 March 2017, pursuant to an exchangeable deed, BVI Holdings transferred 299 shares, representing 29.9% equity interest, and 1 share, representing 0.1% equity interest, in the Company to Mr. Ma and Professor Chow respectively. Following the completion of the transfer, the Company is directly owned as to 70% by BVI Holdings, 29.9% by Mr. Ma and 0.1% by Professor Chow.

BVI Holdings is considered to be the immediate holding company of the Company, and BVI Chows is considered to be the ultimate holding company of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the entities now comprising the Group by acquiring Niche-Tech BVI and its subsidiaries from Chows Electronics. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements relating to the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2017 included the results of operation, changes in equity and cash flows of the entities now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2017 or since their respective dates of incorporation, where applicable.

The functional currency of the Company is Renminbi ("**RMB**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Group's management believes HK$ is the appropriate presentation currency for the users of the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from sales of semiconductor packaging material.

Information about the Group's performance obligations resulting from application of HKFRS 15 are disclosed on note 4.

Accounting policies resulting from application of HKFRS 15 will be disclosed in the consolidated financial statements of the Group.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue in the retained profits at 1 January 2018. As at 1 January 2018, receipt in advance from customers of HK$144,000 in respect of sales of semiconductor packaging material previously included in trade and other payables were reclassified to contract liabilities upon the application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables	12,223	172	12,395
Contract liabilities	172	(172)	–

Impact on the consolidated statement of cash flows

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Increase in trade and other payables	457	37	494
Increase in contract liabilities	37	(37)	–

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 will be disclosed in the consolidated financial statements of the Group.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Trade and bills receivables** *HK$'000*	**Deferred tax assets** *HK$'000*	**Retained profits** *HK$'000*
Closing balance at 31 December 2017 – HKAS 39		59,635	3,513	12,544
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	*(a)*	(1,273)	184	(1,089)
Opening balance at 1 January 2018		58,362	3,697	11,455

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and bills receivables.

ECL for other financial assets at amortised cost, including other receivables, deposits and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$1,273,000 and related deferred tax credit of HK$184,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for trade and bills receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade and bills receivables *HK$'000*
At 31 December 2017 – HKAS 39	1,458
Amounts remeasured through opening retained profits	1,273
At 1 January 2018	2,731

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$22,355,000 as disclosed in note 15. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$508,000 and as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

Revenue from sales of semiconductor packaging materials is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer specific location. Following delivery, the customer has full discretion over the manner of usage and consumption the goods, has the primary responsibility when on selling the goods and bears the risk of obsolescence and loss in relation to the goods.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur.

An analysis of revenue by major products is as follows:

	2018	2017
	HK$'000	*HK$'000*
Bonding Wire	**142,649**	150,978
Encapsulant	**28,731**	16,868
Others	**13,059**	12,676
	184,439	180,522

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its products and its sole operating segment is the development, manufacture and sales of semiconductor packaging materials. The CODM monitors the revenue, results (excluding listing expenses), assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies that are in accordance with HKFRSs, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

Geographical information

The Group's revenue is mainly derived from customers located in the PRC and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	2018	2017
	HK$'000	*HK$'000*
PRC excluding Hong Kong	**180,045**	174,056
Hong Kong	**4,394**	6,466
	184,439	180,522

Information about the Group's non-current assets (excluding financial assets and deferred tax assets) is presented based on the geographical location of the assets:

	2018	2017
	HK$'000	*HK$'000*
PRC excluding Hong Kong	**93,907**	89,106
Hong Kong	**3,415**	1,906
	97,322	91,012

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**55,536**	50,771
Customer B	**N/A**[1]	22,234

1 The corresponding revenue did not contribute over 10% of total revenue of the Group for the year.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**661**	28
Interest income on amount due from a related party	**–**	3,199
Government subsidy income	**1,634**	376
Net loss on disposal of plant and equipment	**(14)**	(11)
Net foreign exchange gains	**1,569**	3,720
Others	**1**	11
	3,851	7,323

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on bank borrowings	**633**	3,043
Interests on discounted bills with recourse	**66**	259
Finance charge for early repayment of bank borrowings	**–**	490
	699	3,792

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC EIT tax:		
Current year	**2,629**	2,671
Overprovision in prior years	**(367)**	–
Deferred tax	**432**	(262)
	2,694	2,409

Under the EIT Law and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

No provision for Hong Kong Profits Tax is made in the financial statements since the relevant group entities have no assessable profits for both years.

8. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration		
Fees	**280**	–
Other emoluments, salaries and other benefits	**2,405**	801
Retirement benefit scheme contributions	**68**	35
	2,753	836
Other staff costs:		
Staff salaries and allowances	**21,139**	19,488
Retirement benefit scheme contributions	**3,508**	3,328
	24,647	22,816
Total staff costs	**27,400**	23,652
Capitalised in intangible assets	**(3,939)**	(3,764)
Capitalised in inventories	**(8,143)**	(6,534)
	15,318	13,354
Depreciation of plant and equipment	**7,550**	6,435
Capitalised in intangible assets	**(1,708)**	(1,843)
Capitalised in inventories	**(2,928)**	(3,137)
	2,914	1,455
Amortisation of intangible assets	**4,224**	3,363
Capitalised in inventories	**(4,013)**	(3,193)
	211	170
Auditors' remuneration	**1,000**	600
Cost of inventories recognised as cost of sales	**143,626**	142,842
Research and development costs (excluding staff costs and depreciation of plant and equipment) recognised as expenses (included in administrative expenses)	**266**	118
Minimum operating lease rentals in respect of rented premises	**3,379**	2,302

9. DIVIDENDS

No dividend was paid or declared or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share:		
Profit for the year attributable to owners of the Company	**350**	1,992
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**625,693,151**	455,440,313

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been adjusted retrospectively for the effect of the capitalisation issue, as set out in note 14, as if the capitalisation issue had been effective on 1 January 2018.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2017 has been adjusted retrospectively for the effect of bonus element of additional shares issued on 25 July 2017 and the capitalisation issue, as set out in note 14 as if the bonus issue and the capitalisation issue had been effective on 1 January 2017.

No diluted earnings per share was presented for both years as there were no potential ordinary shares in issue.

11. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(a) Trade and bills receivables

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**58,318**	52,481
Less: Allowance for doubtful debts	**(2,527)**	(1,458)
	55,791	51,023

The Group's trading terms with its customers are mainly on credit, except for certain customers where payment in advance is required. The credit period is generally 30 to 120 days. Each customer is granted with a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

The following is an aged analysis of trade receivables net of allowance for credit losses based on the invoice dates at the end of the reporting periods.

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**16,492**	16,958
31 – 60 days	**11,193**	10,135
61 – 90 days	**8,811**	12,524
Over 90 days	**19,295**	11,406
	55,791	51,023

	2018	2017
	HK$'000	*HK$'000*
Bills receivables	**18,404**	8,612
Less: Allowance for doubtful debts	**(29)**	–
	18,375	8,612

The Group accepts bills issued by banks from its trade customers with satisfactory and trustworthy credit history as settlement of trade debts. The following is an aged analysis of bills receivables based on the issue date of bill at the end of the reporting periods:

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**4,948**	2,018
31 – 60 days	**5,292**	210
61 – 90 days	**2,508**	2,973
Over 90 days	**5,627**	3,411
	18,375	8,612

The maturity period of all bills receivables as at 31 December 2018 and 2017 was within 365 days.

(b) Other receivables, prepayments and deposits

	2018	2017
	HK$'000	*HK$'000*
Value-added tax recoverable	**2,188**	2,045
Prepayments	**583**	1,360
Deposits	**168**	54
Prepaid listing expenses	**–**	1,523
Deferred listing expenses	**–**	2,770
Other receivables	**364**	199
	3,303	7,951

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**7,350**	6,926
Other payables	**768**	424
Accrued expenses	**4,105**	5,252
Receipt in advance	**–**	144
Other PRC tax payables	**–**	86
	12,223	12,832

The trade suppliers either require cash on delivery from the Group or allow credit period ranging from 7 days to 90 days to the Group. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**5,510**	5,288
31 – 60 days	**919**	1,037
61 – 90 days	**496**	464
Over 90 days	**425**	137
	7,350	6,926

13. CONTRACT LIABILITIES

	31 December 2018	1 January 2018
	HK$'000	*HK$'000*
Amount received in advance of delivery semiconductor packaging materials	**172**	144

All sales of semi-conductor packaging materials are for periods of one year or less.

As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

During the current year, revenue of HK$142,000 was recognised that was included in the contract liability balance at the beginning of the year.

14. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 21 February 2017 (date of incorporation) and 31 December 2017	38,000,000	380
Increase in authorised share capital on 30 May 2018 *(Note iii)*	1,962,000,000	19,620
At 31 December 2018	2,000,000,000	20,000
Issued and fully paid:		
At 21 February 2017 (date of incorporation)	1	– *
Allotment of shares on 1 March 2017 *(Note i)*	999	– *
Allotment of shares on 25 July 2017 *(Note ii)*	1,000	– *
At 31 December 2017	2,000	– *
Issue of shares by capitalisation of share premium account *(Note iv)*	509,998,000	5,100
Issue of new shares *(Note v)*	195,500,000	1,955
At 31 December 2018	705,500,000	7,055

* *Less than HK$1,000*

Notes:

(i) On 1 March 2017, Chows Electronics (as vendor) and the Company (as purchaser) entered into a sale and share swap agreement whereby the Company agreed to purchase, and Chows Electronics agreed to sell, the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, the Company allotted and issued 999 new shares, credited as fully paid, to Chows Electronics, who nominated BVI Holdings to receive such shares.

(ii) On 25 July 2017, in consideration of HK$21,000,000, HK$30,000 and HK$8,970,000 being payable to the Company by BVI Holdings, Professor Chow and Mr. Ma respectively, an additional of 1,000 shares were allotted and issued by the Company at premium as to 700 shares to BVI Holdings, 1 share to Professor Chow and 299 shares to Mr. Ma respectively. The total subscription monies of HK$30,000,000 were settled in cash on 27 July 2017. The proceeds of HK$10 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK$29,999,990 were credited to share premium account of the Company.

(iii) On 8 May 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,962,000,000 shares of HK$0.01 each.

(iv) Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2018, the directors of the Company were authorised to, among other things, capitalise the amount of approximately HK$5,100,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 509,998,000 shares for allotment and issue to the then shareholders of the Company as at 8 May 2018 in proportion to their shareholdings in the Company.

(v) On 30 May 2018, 195,500,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.58 per share.

15. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018	2017
	HK$'000	*HK$'000*
Minimum lease payments under operating leases:		
Within one year	**3,266**	2,588
In the second to fifth years inclusive	**8,475**	8,114
More than five years	**10,614**	12,965
	22,355	23,667

Operating lease payments represent rentals payable by the Group for factory premises and office properties. Leases are negotiated and rentals are fixed for a range of 1 to 23 years.

16. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– intangible assets	**251**	511
– plant and equipment	**534**	4,512
	785	5,023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, despite the uncertainties from the global macro-economic environment as a result of the continuing trade tension between the United States of America and the PRC, the PRC continued to be under the world's spotlight and maintained a moderate growth. As an established semiconductor packaging materials manufacturer, the Group continues to sell products directly to more than 300 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC.

During the year ended 31 December 2018 (the "**Review Year**" or "**2018**"), in line with the constant growth of semiconductor product industry, the demand for semiconductor packaging materials has witnessed a stable growth. By implementing its planned growth strategies, the Group's revenue and gross profit have achieved stable growth during the Review Year, whilst the profitability of the Group continued to be affected by the expenses incurred for the listing of Company's shares on GEM of the Stock Exchange (the "**Listing**").

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, with the development of 5G, cloud computing, Industry 4.0 and new energy vehicles, the demand for high efficiency power electronic products is increasing rapidly. According to SEMI, global sales of semiconductor manufacturing equipment is expected to increase by 20.7% to approximately United States dollars ("**US$**") 71.9 billion in 2020, reaching a record high. China will become the largest market for semiconductor equipment with the demand reaching approximately US$ 12.5 billion in 2019. Under this favourable background, the demand for bonding wires and semiconductor packaging-related encapsulants in the PRC are expected to experience a significant growth.

To capture the opportunities generated from the growing market, the Group is strategically expanding its production capacity and acquiring more basic machineries and equipment for expansion. By the end of June 2018, the Group's second encapsulant production line had been installed and the Group's production capacity were expected to enhance further when the production line commence trial run.

In addition, the Group continues to devote R&D resources on new products and applications, upstream materials and production technologies. Judging from the industry trend, Mini-LED will be massproduced in 2019, and it is forecasted to start expanding in 2020, which is expected to drive the growth of the LED industry. In view of the market potential, the Group will put more effort into the R&D of LED epoxy, LED silicone and other encapsulant products.

As a reputable technology-focused manufacturer specialised in upstream highly advanced electronic packaging materials, the Group is well equipped with the capabilities of keeping abreast of the latest industry trend through continuous R&D capabilities. Besides, with over twelve years of application know how and field engineering, the Group always strives to remain flexible and sensitive to the changing needs of the customers and to develop the most suitable products for them. With the genes of innovation rooted in the Group, the Directors believe that it will be able to graspe the business opportunities arising from various end-markets.

Moving forward, the Group will continue to carry out its core business plans strategically, which will enable it to fully capitalise on the benefits from its Listing status, the emerging market and the arising business opportunities. The Group will continue to adopt proven business strategies to sustain and strengthen growth with new business ideas, so as to create maximum return to the Shareholders and to facilitate the Group's long-term business development.

FINANCIAL OVERVIEW

REVENUE

The Group's revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Review Year, the Group recorded a revenue of approximately HK$184.4 million, up from approximately HK$180.5 million for the year end 31 December 2017 (the "**Previous Year**" or "**2017**"). The revenue of encapsulant products amounted to approximately HK$28.7 million, representing a significant increase of 69.8% as compared with approximately HK$16.9 million recorded in the Previous Year. The growth was mostly due to an increase of approximately HK$15.9 million in sales of LED epoxy from approximately HK$4.3 million for the Previous Year. The revenue of bonding wire products recorded a slight decrease of 5.6% to approximately HK$142.6 million from approximately HK$151.0 million for the Previous Year, mainly due to the drop of sales in high gold composition bonding wire products.

COST OF SALES AND GROSS PROFIT

The Group's cost of sales mainly comprises direct material costs, direct labor costs and manufacturing overhead. During the Review Year, the Group recorded cost of sales of approximately HK$143.6 million, which was relatively stable compared to the amount of approximately HK$142.8 million for the Previous Year.

The gross profit of the Group grew from approximately HK$37.7 million for the Previous Year to approximately HK$40.8 million for the Review Year, representing an increase of 8.2%. Gross profit margin increased to approximately 22.1% for the Review Year from approximately 20.9% for the Previous Year.

OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses recorded a profit of approximately HK$3.9 million for the Review Year, as compared with the profit of approximately HK$7.3 million for the Previous Year. The drop was mainly resulted from the decrease in interest income on amount due from a related party.

During the Review Year, the Group recognized net foreign exchange gain of approximately HK$1.6 million as compared to the net foreign exchange gain of approximately HK$3.7 million recorded in the Previous Year.

EXPENSES

Selling and distribution expenses amounted to approximately HK$10.9 million during the Review Year as compared to the selling and distribution expenses of approximately HK$10.7 million recognized for the Previous Year.

Administrative expenses for the Review Year increased to approximately HK$19.5 million from approximately HK$14.0 million for the Previous Year, mainly as a result of the increase in (i) total staff cost by approximately HK$1.8 million due to increase in directors' remuneration, (ii) auditors' remuneration by approximately HK$0.4 million, (iii) professional and legal fee by approximately HK$1.2 million due to increase of audit and compliance work, and (iv) rental expense by approximately HK$1.2 million and depreciation by approximately HK$1.4 million due to relocation of our headquarters and principal place of business in Hong Kong during the Review Year.

The Group recognized non-recurring listing expenses of approximately HK$10.4 million for the Review Year whilst there was approximately HK$0.8 million and approximately HK$10.7 million of non-recurring listing expenses recognized for the year ended 31 December 2016 and 31 December 2017.

TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE YEAR

Summing up the combined effects of the foregoing, profit attributable to owners of the Company for the Review Year was approximately HK$0.4 million, whereas there was a profit attributable to owners of the Company of approximately HK$2.0 million recorded for the Previous Year. The decrease in the profitability was principally attributable to increase in the administrative expenses, partly offset by increase in gross profit.

Excluding the non-recurring listing expenses of approximately HK$10.4 million incurred and charged to profit and loss in 2018, the profit attributable to owners of the Company for the Review Year was approximately HK$10.8 million.

Total comprehensive expenses for the year for the Review Year was approximately HK$10.0 million, whereas total comprehensive income for the Previous Year was approximately HK$8.9 million. The functional currency of the Company is RMB, whereas the consolidated financial statements are presented in HK$, in preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during the reporting period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2018, the Group employed 246 full-time employees. The remuneration of employees is presented in Note 8 to the consolidated financial information. Based on the Group's remuneration policy, the employees' remuneration is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowings. The Group recorded net current assets of approximately HK$145.2 million as at 31 December 2018 (31 December 2017: approximately HK$59.0 million).

As at 31 December 2018, the Group's current ratio was approximately 6.0 (31 December 2017: approximately 2.5) and the Group's gearing ratio calculated based on the total borrowings at the end of the Review Year divided by total equity at the end of the Review Year was approximately 5.8% (31 December 2017: approximately 15.9%). The decrease of the Group's gearing ratio as at 31 December 2018 was mainly due to increase in capital and reserves by the net proceeds received from the Listing of approximately HK$83.5 million.

The Group's variable-rate bank borrowings carried interests at 2.80% over Hong Kong Interbank Offered Rate per annum. The effective interest rates were at 4.96% per annum and ranging from 3.72% to 3.97% per annum as at 31 December 2018 and 31 December 2017, respectively.

The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) at 6.50% per annum as at 31 December 2017.

As at 31 December 2018, the Group's bank borrowings amounted to approximately HK$13.8 million were secured by corporate guarantee provided by the Company.

As at 31 December 2017, the Group's bank borrowings amounted to approximately HK$19.8 million were guaranteed by corporate guarantee provided by entities controlled by Professor Chow and personal guaranties provided by (i) Professor Chow and Mr. Chow and/or (ii) Mr. Ma and Mr. Ma Kiu Sang, the son of Mr. Ma. They were also secured by properties held by Professor Chow and spouse of Professor Chow and entities controlled by Professor Chow. The arrangement was ceased in May 2018 upon listing of the Company.

As at 31 December 2018, the Group has total bank facilities of HK$80 million (31 December 2017: HK$70 million).

As at 31 December 2018, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$237.1 million, comprised issued share capital and reserves.

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on 30 May 2018. There has been no change in the capital structure of the Group since then.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies for the Review Year.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income, cost of sales, administrative expenses, investment and borrowings are mainly denominated in US$, HK$ and RMB. Fluctuations of the exchange rates of RMB could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the Review Year. The Group currently does not have a foreign currency hedging policy. However, management will continue to monitor foreign exchange exposure and will take prudence measure to minimize the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

As at 31 December 2018, there was no significant pledge on the Group's assets (31 December 2017: Nil).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (31 December 2017: Nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities or guarantees.

SEGMENT INFORMATION

Segment information for the Group is presented as disclosed on note 4 to the consolidated financial information.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSAL

During the Review Year, the Group has not made any significant investments or material acquisitions and disposal of subsidiaries.

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period for the Group to the date of this report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 27 June 2019 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 June 2019 to Thursday, 27 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, unregistered holders of the Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 June 2019.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the prospectus dated 17 May 2018 regarding the Listing (the "**Prospectus**") and the Group's actual business progress for the period from the listing date to 31 December 2018.

Business objectives	Actual business progress up to 31 December 2018
Expand production capacity and upgrade manufacturing facilities	
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	The Group had installed the second additional encapsulant production line in the Review Year, which was commenced trial run during the six months ended 31 December 2018.
– Acquire machineries and equipment for quality control	The Group had introduced parts of equipment to enhance the quality control over the production process of bonding wire for the Review Year.
Devote R&D resources	
– Acquire machineries and equipment for R&D enhancement	The Group had purchased parts of machineries and equipment for the improvement of existing R&D facilities for the Review Year.
– Engage external consultants for R&D projects	The Group had engaged an assistant professor from Anhui University of Technology as our R&D consultant to assist in our R&D activities for the new encapsulant R&D project.
Increase sales and marketing activities	The Group attended Guangzhou International Lighting Exhibition organised by the China Semiconductor Industry Association in June 2018. The Group also engaged a personnel relation advisor to perform branding and digital marketing work.
General working capital	The Group had relocated its headquarter and principal place of business in Hong Kong to Hong Kong Science Park.

The total amount of proceeds from the Listing used in 2018 exceeded our forecast was mainly reflected in the following two aspects:

a) Expand production capacity and upgrade manufacturing facilities; and

b) Devote R&D resources.

As the pace of the Group's promotion for LED epoxy products accelerated, the Group urgently needed to purchase the necessary R&D equipment as mentioned in Prospectus in advance for the current and the relevant projects in the future.

The Directors believe that the introduction of this series of advanced R&D equipment would be of great help to the improvement of the encapsulant products' quality and performance. As it turned out, the sales on LED expoxy products improved significantly in the second half of 2018, even exceeding the sale amount in profit forecast made by the Directors.

Moreover, the Group historically operated the existing bonding wire production facilities at an average utilisation rate of approximately 79.3%, 99.6% and 96.8% for FY2015, FY2016 and FY2017, respectively. Since the second half of 2018, customers' demand for the bonding wire had gradually increased, and the Group had to add necessary equipment such as extremely fine drawing machine being the capacity bottleneck to meet the increasing orders.

In addition, the Group added additional security facilities for bonding wire production lines in advance to ensure the safety of the property, especially the precious metals.

USE OF PROCEEDS FROM THE LISTING

The Shares were successfully listed on GEM of the Stock Exchange on 30 May 2018. The net proceeds from the listing received by the Company were approximately HK$83.5 million (after deduction of listing expenses). The net proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. During period from listing date to 31 December 2018, the net proceeds had been utilised as follows:

	Actual net proceeds from the Listing *HK$ million*	**Amount utilised up to 31 December 2018** *HK$ million*	**Balance as at 31 December 2018** *HK$ million*
Expand production capacity and upgrade manufacturing facilities			
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	41.9	7.0	34.9
– Acquire machineries and equipment for quality control	3.4	1.9	1.5

	Actual net proceeds from the Listing *HK$ million*	Amount utilised up to 31 December 2018 *HK$ million*	Balance as at 31 December 2018 *HK$ million*
Devote R&D resources			
– Acquire machineries and equipment for R&D enhancement	19.5	4.4	15.1
– Engage external consultants for R&D projects	5.9	0.1	5.8
Increase sales and marketing activities	5.9	0.5	5.4
General working capital	6.9	1.0	5.9
Total	83.5	14.9	68.6

As at 31 December 2018, approximately HK$14.9 million out of the net proceeds from the Listing had been used. The majority of the unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Director's and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 31 December 2018, the interests of the Directors and chief executives of the Company in the Shares, underlying Shares or 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 are required (a) to be 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long positions in the Shares of the Company

Name of Directors	Nature of interest/ holding capacity	Number of Ordinary Shares held	Percentage of issued share capital of the Company *(Note 1)*
Mr. Chow *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
Professor Chow *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
	Beneficial owner	510,000	0.07%

Notes:

(1) As at 31 December 2018, the Company's issued share capital was HK$7,055,000 divided into 705,500,000 shares of HK$0.01 each.

(2) BVI Holdings is beneficially owned as to 40% by Mr. Chow and 60% by Professor Chow. By virtue of SFO, Mr. Chow and Professor Chow are deemed to be interested in the 357,000,000 shares held by BVI Holdings.

(ii) Interests in shares of the associated corporations of the Company

Name	Name of associated corporation	Nature of interest/ holding capacity	Number of shares held/interested in the associated corporations	Percentage of shareholding
Professor Chow	BVI Chows *(Notes 1 and 2)*	Beneficial interest	6	60.00%
Mr. Chow	BVI Chows *(Notes 1 and 2)*	Beneficial interest	4	40.00%
Professor Chow *(Note 2)*	BVI Holdings *(Note 1)*	Interest in a controlled corporation	10,000,000	100.00%
Mr. Chow *(Note 2)*	BVI Holdings *(Note 1)*	Interest in a controlled corporation	10,000,000	100.00%

Notes:

(1) BVI Chows holds 100% interest in BVI Holdings. BVI Holdings in turn holds 50.60% interest in the Company or 357,000,000 shares. Therefore, BVI Chows and BVI Holdings are the associated corporations of the Company for the purpose of the SFO.

(2) Mr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of BVI Holdings for the purpose of the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executives of the Company had or was deemed to have any other interests in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

(b) Substantial Shareholders and other persons' interests and short positions in the Shares or underlying Shares of the Company

So far as is known to the Directors, as at 31 December 2018, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of Shareholder	**Nature of interest/ holding capacity**	**Number of Shares**	**Percentage of issued share capital of the Company** *(Note 1)*
BVI Holdings	Beneficial owner	357,000,000	50.60%
BVI Chows	Interest of controlled corporation *(Note 2)*	357,000,000	50.60%
Mrs. Chow Fung Wai Lan Rita ("**Mrs. Chow**")	Interest of spouse *(Note 3)*	357,510,000	50.67%
Mrs. Chow Kuo Li Jen	Interest of spouse *(Note 4)*	357,000,000	50.60%
Mr. Ma	Beneficial owner	152,490,000	21.61%
Ms. Cheng Pak Ching	Interest of spouse *(Note 5)*	152,490,000	21.61%

Notes:

(1) As at 31 December 2018, the Company's issued ordinary share capital was HK$7,055,000 divided into 705,500,000 Shares of HK$0.01 each.

(2) BVI Chows holds 100% interest in BVI Holdings and is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings for the purpose of the SFO.

(3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested in for the propose of the SFO.

(4) Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Mr. Chow is interested in for the propose of the SFO.

(5) Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 8 May 2018. For the principal terms of the Share Option Scheme, please refer to "D. Share Option Scheme" in Appendix IV to the Prospectus.

Up to the date of this announcement, no share option had been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or is interest in any business that competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group during the Review Year.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Titan Financial Services Limited ("**Titan Financial**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Titan dated 1 September 2017 in connection with the Listing, none of Titan or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 December 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the all applicable principles and code provisions in Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules for the Review Year.

A.2 and A.2.1 of the CG Code stipulates that there should be a clear division of the management of the Board and the day-to-day management of the business. The Group has not appointed the chief executive officer. Day-to-day management of the business of the Group are carried out by the senior management and monitored by the executive Directors, while prior approvals by all executive Directors are required for all strategic decisions which are also considered and confirmed in formal Board meeting. The balance of power and authority of the Company is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being independent non-executive Directors. The Group believes that the existing management structure and decision making procedures are adequate and in the best interest of the Group to cope with the ever-changing economic environment.

As the Company was only listed on 30 May 2018, the Board convened only two board meetings during the period from the listing date to 31 December 2018 to consider and approve the unaudited interim results and the unaudited third quarterly results of the Group. The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") 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 "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and the Required Standard Dealings during the Review Year. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Review Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company's listed securities during the Review Year and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee of the Board with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and C.3.3 and C.3.7 of the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The members of the audit committee currently comprises three independent non-executive Directors, namely Professor Ng Wang Wai Charles, Dr. Cheng Faat Ting Gary and Mr. Tai Chun Kit. Dr. Cheng Faat Ting Gary is the chairman of the audit committee who possesses appropriate professional qualifications or accounting related financial management expertise.

The audit committee has reviewed the audited consolidated results of the Company for the Review Year and is of the opinion that the audited consolidated results of the Group for the Review Year complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2018 were audited by Deloitte Touche Tohmatsu, the auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu.

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 21 March 2019

As at the date of this announcement, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, the non-executive Director is Mr. Ma Yung King Leo, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Dr. Cheng Faat Ting Gary and Mr. Tai Chun Kit.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for a minimum period of seven days from the date of its publication. This announcement will also be published on the Company's website at http://www.nichetech.com.hk.