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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

HIGHLIGHTS

- Revenue decreased by approximately 0.03% from approximately NTD1,497.83 million for the year ended 31 December 2020 to approximately NTD1,497.33 million for the year ended 31 December 2021.
- Total comprehensive income for the year attributable to owners of the Company decreased by approximately 48.10% from approximately NTD143.81 million for the year ended 31 December 2020 to approximately NTD74.65 million for the year ended 31 December 2021.
- Basic earnings per share decreased from NTD14.42 cents for the year ended 31 December 2020 to NTD7.94 cents for the year ended 31 December 2021.
- The Board did not recommend the payment of dividend for the year ended 31 December 2021 (2020: final dividend of HK\$0.012 (equivalent to approximately NTD0.04) per share).

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with comparative figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>NTD'000</i>	2020 <i>NTD'000</i>
Assets			
Non-current assets			
Property, plant and equipment		306,693	320,743
Right-of-use assets		21,919	17,069
Intangible assets		107,353	118,359
Deferred income tax assets		21,841	21,437
Deposits		8,025	8,362
		465,831	485,970
Current assets			
Inventories		1,595,639	1,507,713
Trade receivables	<i>10</i>	204,936	303,910
Prepayments, deposits and other receivables		123,250	68,720
Cash and cash equivalents		172,957	96,211
		2,096,782	1,976,554
Total assets		2,562,613	2,462,524
Equity			
Share capital		38,815	38,815
Reserves		762,395	731,237
Total equity		801,210	770,052
Liabilities			
Non-current liabilities			
Bank borrowings		245,049	289,737
Lease liabilities		11,799	9,851
		256,848	299,588
Current liabilities			
Trade payables and other payables	<i>11</i>	468,889	400,782
Contract liabilities	<i>11</i>	580,615	464,586
Lease liabilities		10,643	7,539
Bank borrowings		390,310	449,385
Current income tax liabilities		54,098	70,592
		1,504,555	1,392,884
Total liabilities		1,761,403	1,692,472
Total equity and liabilities		2,562,613	2,462,524

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

Particulars of the Company’s subsidiaries are as follows:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) *New and amended standards adopted by the Group*

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

Information about major customers

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

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

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

4. OTHER INCOME AND OTHER GAINS, NET

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

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

5. FINANCE INCOME AND COSTS

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

6. EXPENSES BY NATURE

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

Notes:

- (a) Non-audit services for the 12 months ended 31 December 2020 represent the services provided by the Company's auditor for its service for the proposed transfer from GEM to Main Board of the Stock Exchange.
- (b) Amortisation of intangible assets is included in "General and administrative expenses".
- (c) Depreciation of property, plant and equipment is included in "Cost of sales" and "General and administrative expenses", amounting to approximately NTD10,031,000 (2020: NTD7,634,000) and NTD9,211,000 (2020: NTD 8,211,000), respectively.

7. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

8. DIVIDENDS

	2021 <i>NTD'000</i>	2020 <i>NTD'000</i>
Final dividend of Nil per share (2020: HK\$0.012 per share)	<u>–</u>	<u>43,488</u>

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

9. EARNINGS PER SHARE

(a) Basic

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

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

10. TRADE RECEIVABLES

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

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

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

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

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

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

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

	2021 <i>NTD'000</i>	2020 <i>NTD'000</i>
NTD	108,475	141,378
USD	93,951	162,532
RMB	2,510	–
	<u>204,936</u>	<u>303,910</u>

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

11. TRADE AND OTHER PAYABLES

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

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

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

(a) Trade payables

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

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

(b) Provision for warranty

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

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

(c) **Contract liabilities**

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

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

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

BUSINESS REVIEW

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

TURNKEY SOLUTIONS

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

TRADING OF SME AND PARTS

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

FINANCIAL REVIEW

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

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

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

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

OUTLOOK

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

Charges on Assets

As at 31 December 2021, certain land and buildings of the Group were pledged to secure the Group's long-term and short-term bank borrowings, with the carrying amount of approximately NTD267.11 million (31 December 2020: approximately NTD271.62 million).

Events Occurring after the Reporting Period

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

During the year 2021, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Capital Commitments and Contingent Liabilities

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

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

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

HUMAN RESOURCES

As at 31 December 2021, the Group employed approximately 257 employees (2020: 266). All staff of the Group are full-time employees and reside in Taiwan. Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

Dividend

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

OTHER INFORMATION

Compliance with Code of Conduct for Directors' Securities Transactions

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

Having made specific enquiry, all the Directors have confirmed their compliance with the Securities Code since the date of Listing up to 31 December 2021.

Compliance with the Corporate Governance Code

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 (as in force as at 31 December 2021). 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 Ming-Hsiang is the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**"). In view of Mr. Yang having assumed day-to-day responsibilities in operating and managing the Group since 2009 and the rapid development of the Group, the Board believes that with the support of Mr. Yang's extensive experience and knowledge in the business of the Group, vesting the roles of both the Chairman and the CEO in Mr. Yang strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision making which is in the best interests of the Group.

The Directors consider that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations, and sufficient checks and balances are in place.

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

Audit Committee and Review of Financial Statements

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

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

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

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

Scope of Work of the Company’s Auditor

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

Annual General Meeting

The annual general meeting (“AGM”) of the Company is scheduled to be held on Thursday, 23 June 2022. The AGM notice will be issued and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend the AGM

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

According to the GEM Listing Rules, the 2021 Annual Report of the Company shall contain all information as required by the GEM Listing Rules and will be published on the Company’s website at www.genestech.com and the GEM website at www.hkgem.com in due course.

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

Taiwan, 28 March 2022

As at the date of this announcement, the executive Directors are Mr. Yang Ming-Hsiang, Ms. Wei Hung-Li, Mr. Lin Yen-Po and Mr. Hsiao Hsi-Mao; 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.