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NICHE-TECH GROUP LIMITED

駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8490)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Niche-Tech Group Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together as the “**Group**”) for the six months ended 30 June 2022. This announcement, containing the full text of the 2022 interim report of the Group, complies with the relevant requirements of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results. Printed version of the 2022 interim report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course.

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix

Executive Chairman and Executive Director

Hong Kong, 9 August 2022

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. Li Chiu Fan, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock exchange at www.hkexnews.hk 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 www.nichetech.com.hk.

CHARACTERISTICS OF GEM (“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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Three months ended		Six months ended	
		30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Revenue	4	64,245	67,305	122,928	122,290
Cost of sales		(46,248)	(52,795)	(89,681)	(95,745)
Gross profit		17,997	14,510	33,247	26,545
Other income, other gains and losses	5	(295)	528	101	795
Impairment losses reversed (recognised) under expected credit loss model		51	(178)	84	134
Selling and distribution expenses		(3,702)	(3,142)	(8,163)	(5,753)
Administrative expenses		(8,440)	(7,684)	(15,905)	(14,710)
Finance costs	6	(408)	(362)	(817)	(656)
Profit before taxation		5,203	3,672	8,547	6,355
Income tax expense	7	(1,657)	(1,214)	(2,888)	(2,192)
Profit for the period	8	3,546	2,458	5,659	4,163

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Three months ended		Six months ended	
		30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Other comprehensive (expenses) income					
Item that will not be reclassified to profit or loss:					
Exchange differences arising on translation from functional currency to presentation currency					
		(12,386)	3,406	(11,041)	1,799
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations					
		2,498	(567)	2,206	(295)
Other comprehensive (expenses) income for the period					
		(9,888)	2,839	(8,835)	1,504
Total comprehensive (expenses) income for the period					
		(6,342)	5,297	(3,176)	5,667
Earnings per share					
– basic (HK cents)					
	10	0.50	0.35	0.80	0.59

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
NON-CURRENT ASSETS			
Plant and equipment	11	37,063	41,861
Right-of-use assets		12,751	13,767
Intangible assets	11	71,817	71,188
Deposits paid for acquisition of plant and equipment and intangible assets		6,482	2,545
Rental deposits		732	572
Deferred tax assets		1,757	2,103
		130,602	132,036
CURRENT ASSETS			
Inventories		35,227	35,519
Trade and bills receivables	12(a)	119,732	129,001
Other receivables, prepayments and deposits	12(b)	1,699	2,551
Bank deposits		19,000	17,536
Bank balances and cash		12,569	15,178
		188,227	199,785
CURRENT LIABILITIES			
Trade and other payables	13	24,182	25,136
Contract liabilities		418	579
Lease liabilities	15	3,652	3,373
Deferred income		1,373	1,436
Tax payable		5,595	3,869
Bank borrowings	14(a)	20,349	23,610
Bank overdraft	14(b)	7,019	12,231
		62,588	70,234
NET CURRENT ASSETS		125,639	129,551
TOTAL ASSETS LESS CURRENT LIABILITIES		256,241	261,587

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	30.6.2022 HK\$'000 (unaudited)	31.12.2021 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES			
Lease liabilities	15	11,853	13,106
Deferred income		4,379	5,296
		16,232	18,402
NET ASSETS			
		240,009	243,185
CAPITAL AND RESERVES			
Share capital	16	7,055	7,055
Reserves		232,954	236,130
TOTAL EQUITY			
		240,009	243,185

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital	Share premium	Other reserve	Capital reserve	Exchange reserve	Statutory reserve	(Accumulated losses) Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	7,055	128,115	100,000	1	(4,315)	8,564	(7,362)	232,058
Profit for the period	-	-	-	-	-	-	4,163	4,163
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	1,799	-	-	1,799
Exchange differences arising on translation of foreign operations	-	-	-	-	(295)	-	-	(295)
Total comprehensive income for the period	-	-	-	-	1,504	-	4,163	5,667
At 30 June 2021 (unaudited)	7,055	128,115	100,000	1	(2,811)	8,564	(3,199)	237,725
At 1 January 2022 (audited)	7,055	126,034	100,000	1	2,044	11,264	(3,213)	243,185
Profit for the period	-	-	-	-	-	-	5,659	5,659
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(11,041)	-	-	(11,041)
Exchange differences arising on translation of foreign operations	-	-	-	-	2,206	-	-	2,206
Total comprehensive (expenses) income for the period	-	-	-	-	(8,835)	-	5,659	(3,176)
At 30 June 2022 (unaudited)	7,055	126,034	100,000	1	(6,791)	11,264	2,446	240,009

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	20,612	(8,282)
NET CASH USED IN INVESTING ACTIVITIES	(11,412)	(3,854)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(4,871)	6,926
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,329	(5,210)
Effect of foreign exchange rate changes	(262)	(443)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	20,483	37,244
CASH AND CASH EQUIVALENTS AT 30 JUNE	24,550	31,591
Represented by:		
Bank deposits	19,000	17,529
Bank balances and cash	12,569	34,650
Bank overdraft	(7,019)	(20,588)
	24,550	31,591

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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 (the “**Shares**”) of the Company have been listed on GEM since 30 May 2018.

The Company is an investment holding company. The Group is principally engaged in the development, manufacture and sales of semiconductor packaging materials.

The functional currency of the Company is Renminbi (“**RMB**”). The unaudited condensed 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 condensed consolidated financial statements.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by Chapter 18 of the GEM Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 January 2022, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial positions.

4. REVENUE AND SEGMENT INFORMATION

An analysis of revenue by major products is as follows:

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bonding wire	30,924	48,899	60,300	89,318
Encapsulant	28,402	16,140	55,150	28,427
Others	4,919	2,266	7,478	4,545
	64,245	67,305	122,928	122,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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, 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 People's Republic of China (the "PRC") and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC excluding Hong Kong	63,874	66,504	122,055	120,899
Hong Kong	371	801	873	1,391
	64,245	67,305	122,928	122,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	13	15	21	34
Government subsidy income	451	355	811	710
Loss on disposal of plant and equipment	-	(14)	-	(36)
Net foreign exchange (losses) gains	(781)	217	(766)	127
Others	22	(45)	35	(40)
	(295)	528	101	795

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on bank borrowings	141	86	240	156
Interests on bank overdraft	17	28	25	52
Interests on lease liabilities	189	210	387	390
Interests on discounted bills with recourse	61	38	165	58
	408	362	817	656

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

Three months ended		Six months ended	
30.6.2022	30.6.2021	30.6.2022	30.6.2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

The income tax expense comprises:

PRC Enterprise Income Tax ("EIT")

– Current tax	1,809	1,214	3,040	2,192
– Withholding tax	609	–	609	–
– Overprovision in prior year	(761)	–	(761)	–
	1,657	1,214	2,888	2,192

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate of PRC entities is 25% for both periods. Pursuant to the relevant laws and regulations in the PRC, 汕頭市駿碼凱撒有限公司 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 December 2021 to December 2024.

Under the EIT Law, withhold tax of 5%-10% is imposed on dividends declared in respect of profit earned by subsidiaries in Mainland China from 1 January 2008 onwards.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax is made since the relevant group entities had no assessable profits for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:				
Directors' remuneration:				
Fees	120	120	240	240
Other emoluments, salaries and other benefits	973	964	1,935	1,904
Retirement benefit scheme contributions	15	15	31	30
	1,108	1,099	2,206	2,174
Other staff costs:				
Staff salaries and allowances	8,103	7,060	14,984	13,324
Retirement benefit scheme contributions	747	668	1,505	1,313
	8,850	7,728	16,489	14,637
Total staff costs	9,958	8,827	18,695	16,811
Capitalised in intangible assets	(1,159)	(935)	(2,154)	(1,669)
Capitalised in inventories	(2,655)	(2,278)	(4,804)	(4,289)
	6,144	5,614	11,737	10,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of plant and equipment	2,056	2,382	4,207	4,745
Capitalised in intangible assets	(395)	(406)	(805)	(789)
Capitalised in inventories	(933)	(1,001)	(1,945)	(1,996)
	728	975	1,457	1,960
Amortisation of intangible assets	2,379	1,964	4,815	3,912
Capitalised in inventories	(2,326)	(1,910)	(4,707)	(3,804)
	53	54	108	108
Depreciation of right-of-use assets	930	853	1,801	1,457
Capitalised in intangible assets	(65)	(77)	(133)	(149)
Capitalised in inventories	(112)	(132)	(229)	(263)
	753	644	1,439	1,045
Auditors' remuneration	275	237	550	475
Cost of inventories recognised as cost of sales	46,248	52,795	89,681	95,745
Research and development costs (excluding depreciation and staff costs) recognised as expenses (included in administrative expenses)	58	(9)	117	290
Minimum operating lease rentals in respect of rented premises	25	23	51	48

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. DIVIDENDS

The Board have resolved to declare an interim dividend for the year ending 31 December 2022 of HK\$0.0031 per Share (six months ended 30 June 2021: HK\$0.00295) to the shareholders whose names appear on the register of members of the Company on Friday, 26 August 2022. The dividend warrants will be dispatched on or around Friday, 14 October 2022.

The aggregate amount of interim dividend amounted to approximately HK\$2.2 million (six months ended 30 June 2021: approximately HK\$2.1 million) will be paid from the share premium of the Company.

10. EARNINGS PER SHARE

Three months ended		Six months ended	
30.6.2022	30.6.2021	30.6.2022	30.6.2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Earnings:

Earnings for the purpose of basic earnings per share:

Profit for the period

attributable to owners of the Company

3,546	2,458	5,659	4,163
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Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share

705,500,000	705,500,000	705,500,000	705,500,000
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No diluted earnings per share is presented for periods ended 30 June 2022 and 2021 as there is no potential ordinary shares in issue during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. MOVEMENTS IN PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current interim period, the Group acquired plant and equipment and intangible assets of approximately HK\$581,000 and approximately HK\$7,809,000 respectively (six months ended 30 June 2021: approximately HK\$73,000 and approximately HK\$4,768,000 respectively).

There was no disposal of plant and equipment during the current interim period (six months ended 30 June 2021: approximately HK\$535,000).

12. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(a) Trade and bills receivables

	30.6.2022 <i>HK\$'000</i> (unaudited)	31.12.2021 <i>HK\$'000</i> (audited)
Trade receivables	74,947	69,391
Less: Allowance for credit losses	(5,808)	(5,983)
	69,139	63,408
Bills receivables	50,593	65,593
	119,732	129,001

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 credit limits. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

	30.6.2022 <i>HK\$'000</i> (unaudited)	31.12.2021 <i>HK\$'000</i> (audited)
1 – 30 days	27,255	22,758
31 – 60 days	14,474	16,186
61 – 90 days	15,223	15,547
Over 90 days	12,187	8,917
	69,139	63,408

The maturity period of bills receivables as at 30 June 2022 and 31 December 2021 were within 365 days.

(b) Other receivables, prepayments and deposits

	30.6.2022 <i>HK\$'000</i> (unaudited)	31.12.2021 <i>HK\$'000</i> (audited)
Prepayments	1,141	2,195
Deposits	421	223
Other receivables	137	133
	1,699	2,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE AND OTHER PAYABLES

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	15,314	18,139
Other payables	1,342	132
Other tax payables	5,071	2,817
Accrued expenses	2,455	4,048
	24,182	25,136

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:

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
1 – 30 days	4,588	7,703
31 – 60 days	4,514	2,522
61 – 90 days	2,612	4,254
Over 90 days	3,660	3,660
	15,314	18,139

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. BANK BORROWINGS/BANK OVERDRAFT

(a) Bank Borrowings

	30.6.2022 <i>HK\$'000</i> (unaudited)	31.12.2021 <i>HK\$'000</i> (audited)
Fixed-rate bank borrowings	7,506	10,824
Variable-rate bank borrowings	12,843	12,786
	20,349	23,610

The Group's variable-rate bank borrowings carried interests at 3.05% over Hong Kong Interbank Offered Rate ("HIBOR") per annum (31 December 2021: 3.05% over HIBOR per annum) quoted by certain banks in Hong Kong and were repayable on demand.

The Group's fixed-rate bank borrowings as at 30 June 2022 carried interests at effective rates (which were also the contracted rates) of 2.20% per annum (31 December 2021: 2.92% per annum).

(b) Bank Overdraft

As at 30 June 2022, the bank overdraft amounted to approximately HK\$7,019,000 (equivalent to approximately RMB6,000,000) (31 December 2021: approximately HK\$12,231,000 (equivalent to approximately RMB10,000,000)), which is repayable on demand clause and repayable within 90 days, carrying interest rate at 4.50% per annum (31 December 2021: 4.50% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. LEASE LIABILITIES

	30.6.2022	31.12.2021
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(audited)
Current	3,652	3,373
Non-current	11,853	13,106
	15,505	16,479

16. SHARE CAPITAL

	Number of shares	Share capital
		<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2022 (unaudited) and 31 December 2021 (audited)	2,000,000,000	20,000
Issued and fully paid:		
At 30 June 2022 (unaudited) and 31 December 2021 (audited)	705,500,000	7,055

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. CAPITAL COMMITMENTS

	30.6.2022	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– intangible assets	–	600
– plant and equipment	4,225	3
	4,225	603

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specializing in the development, manufacture, and sales of the bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC.

The Group continued to sell its products directly to more than 600 customers, including renowned manufacturers of LEDs, camera modules, and ICs primarily in the PRC. During the six months ended 30 June 2022 (the “**Period**”), the Group’s sales and gross profit increased by approximately 0.5% and 25.2%, respectively against the corresponding period of 2021 (“**1H2021**”). The increase in gross profit was primarily attributable to a better product mix which resulted in the improvement on the gross profit of the Group.

The Group will continue to focus on innovation of materials for advanced semiconductors which could be applied to Electric Vehicles, Mini-LED, Artificial Intelligence and 5G Communications industries.

FINANCIAL OVERVIEW

Revenue

The Group’s revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Period, the Group recorded a revenue of approximately HK\$122.9 million (1H2021: approximately HK\$122.3 million). The revenue of bonding wire products recorded a decrease of 32.5% to approximately HK\$60.3 million (1H2021: approximately HK\$89.3 million) while the revenue of encapsulant products recorded a sharp increase of 94.0% to approximately HK\$55.2 million (1H2021: approximately HK\$28.4 million). The decrease in the revenue of bonding wire products was offset by the increase in the revenue of encapsulant products as the Group adjusted its product mix to maximize the shareholder’s return.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Period, the Group's cost of sales decreased by 6.3% to approximately HK\$89.7 million (1H2021: approximately HK\$95.7 million). The gross profit of the Group increased by 25.2% to approximately HK\$33.2 million for the Period (1H2021: approximately HK\$26.5 million). The gross profit margin was approximately 27.0% for the Period (1H2021: 21.7%). During the Period, better product mix resulted in improvement on the gross profit of the Group.

Other income, other gains and losses

Other income, other gains, and losses of approximately HK\$0.1 million were recorded during the Period (1H2021: approximately HK\$0.8 million). The decrease was mainly due to a net foreign exchange losses of approximately HK\$0.8 million was recognised during the Period (1H2021: net foreign exchange gains of approximately HK\$0.1 million).

Expenses

Selling and distribution expenses amounted to approximately HK\$8.2 million for the Period (1H2021: approximately HK\$5.8 million), mainly due to the increase in freight expenses and sales commission paid.

Administrative expenses for the Period were approximately HK\$15.9 million (1H2021: approximately HK\$14.7 million). The increase in administrative expenses was mainly due to the increase in depreciation of right-of-use assets and staff costs.

Profit and other comprehensive (expenses) income for the Period

Summing up the combined effects of the foregoing, the profit attributable to owners of the Company for the Period was approximately HK\$5.7 million (1H2021: approximately HK\$4.2 million). Earnings before interest, taxes, depreciation of plant and equipment and amortization of intangible assets for the Period was approximately HK\$18.4 million (1H2021: approximately HK\$15.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGIES AND PROSPECTS

Despite the uncertainties posed by the pandemic as well as geopolitical complications around the world, the Group remains confident about the industry and the Group's future development. According to the report "*Mid-Year Total Semiconductor Equipment Forecast – OEM Perspective*" launched by SEMI, the global semiconductor equipment sales is expected to increase by around 14.7% to US\$115.7 billion in 2022, and further increase to US\$120.8 billion in 2023. With the strong growth of semiconductor equipment, the demand for semiconductor packaging related encapsulants is likely to increase. The global economy has gradually moved towards a new normal to minimise the relentless impact of COVID-19, especially with the launch of effective government policies and vaccination programmes. That said, Shanghai's lockdown in early 2022 was due to a spike in cases, which has stalled economic recovery marginally in the PRC. Even so, the Group strives to do its best in maintaining a stable business performance under such unpredictable circumstances. Moreover, the Chinese government has paid great attention and put strong support on the rapid growth of the 5G industry. Under such background, the market's demand for bonding wires and semiconductor packaging related encapsulants are expected to grow in the coming years.

To seize the opportunities arising from the expected market recovery and the fast-growing 5G industry, the Group will launch three series of new products of Die Attach Adhesive, namely Non-conductive Epoxy Based Adhesive, Non-conductive Silicon Based Adhesive and Electrical Conductive Silver Adhesive for LED applications as scheduled, and will extend the product application to cover other semiconductors and 5G industries after formula modification. Besides, the Group has developed a new copper alloy bonding wire specially for IC Insulated Gate Bipolar Transistor ("**IGBT**") products, which has been approved by top customers in China. One of the top ten Chinese Semiconductor Power IC companies has placed orders for such new copper alloy bonding wire with the Company. It is expected to contribute to the Group's revenue in the coming years. Furthermore, the production of the Group's pioneer mini-LED display encapsulant products will become another growth momentum for the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead, the Directors are optimistic toward the future of the industry. The Group will continue to enhance its R&D capabilities, in order to develop advanced and high-quality products to meet the demand from the emerging markets of 5G network, automotive electrification, industrial automation, internet of things and artificial intelligence. Meanwhile, the Group is actively seeking any possible mergers and acquisitions. With the launch of vaccines and substantial economic recovery measures, the Directors firmly believe that the Group's established position in the semiconductor packaging materials industry, competitive strengths and flexible business strategies, will facilitate its long-term growth.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2022, the Group employed 180 full-time employees (as at 31 December 2021: 182). The remuneration of employees is disclosed in note 8 to the unaudited condensed consolidated financial statements. The Group's remuneration policy is determined with reference to the experience and qualifications of the individual's performance. The Group would ensure that all employees are provided with adequate training and continuous professional development opportunities according to their needs. The Group has adopted a share option scheme to reward individual staff for their contribution to the Group.

FINANCIAL RESOURCES, LIQUIDITY, GEARING RATIO 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\$125.6 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$129.6 million). As at 30 June 2022, the Group's current ratio was approximately 3.0 (as at 31 December 2021: approximately 2.8) and the Group's gearing ratio calculated based on the total borrowings divided by total equity at the end of the Period was approximately 11.4% (as at 31 December 2021: approximately 14.7%). As at 30 June 2022, the Group's bank borrowings and bank overdraft amounted to approximately HK\$27.4 million (as at 31 December 2021: approximately HK\$35.8 million). As at 30 June 2022, the Group had total banking facilities of approximately HK\$40.0 million (as at 31 December 2021: approximately HK\$40.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$240.0 million (as at 31 December 2021: approximately HK\$243.2 million), comprised of issued share capital and reserves.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investments and capital assets during the Period.

SIGNIFICANT INVESTMENTS HELD

During the Period, the Group did not hold any significant investments.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that all the major risk factors relevant to the Group have already been disclosed in the section headed "Risk factors" of the Company's prospectus dated 17 May 2018 (the "**Prospectus**") in respect of the listing (the "**Listing**") of the Shares on GEM. Please refer thereto for more information.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income, cost of sales, administrative expenses, investment and borrowings are mainly denominated in United State Dollar, 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 Period. The Group currently does not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will take prudent measure to minimise the currency translation risk. The Group will consider hedging significant foreign currencies should the need arise.

CHARGES ON ASSETS

There was no significant pledge on the Group's assets as at 30 June 2022 (as at 31 December 2021: nil).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK\$0.0031 (1H2021: HK\$0.00295) per Share for the year ending 31 December 2022 payable on Friday, 14 October 2022 to shareholders whose names appear on the register of members of the Company on Friday, 26 August 2022. The register of members of the Company will be closed from Wednesday, 24 August 2022 to Friday, 26 August 2022, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 August 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees (as at 31 December 2021: nil).

SEGMENT INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 and the Group's actual business progress for the period from the date of the Listing (i.e. 30 May 2018) to 30 June 2022.

Business objectives	Actual business progress up to 30 June 2022
Expand production capacity and upgrade manufacturing facilities	
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	The Group had upgraded and expanded the production lines and related facilities both of G&S bonding wire and encapsulant in 2019, which commenced commercialized production in 2020. The Group had continued to add related machineries at the bottleneck of production line to meet the demand of customers' orders since 2020.
– Acquire machineries and equipment for quality control	The Group acquired and installed certain equipment to enhance the quality control over the production process and finished products' inspection for both bonding wire and encapsulant products.
– Acquire or invest on bonding wire business or related business	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives

Actual business progress up to 30 June 2022

Devote R&D resources

- Acquire machineries and equipment for R&D enhancement
The Group had purchased certain machineries and equipment for the improvement of existing R&D facilities.
- Engage external consultants for R&D projects
The Group had engaged an assistant professor from Anhui University of Technology as the R&D consultants to assist in the R&D activities for the new encapsulant projects. The Group also had engaged a professor from National Cheng Kung University (Taiwan) and an expert in metal materials as the R&D consultants to assist in the Group's R&D activities for the new bonding wire projects. On the other hand, the Group had engaged an independent third party to assist new project in the field of Solar Energy.
- Acquire new intellectual property or develop new intellectual property
The Group had purchased a new intellectual right of bonding wire to enrich its product categories in 2021.

Increase sales and marketing activities

The Group engaged a personnel relation advisor to perform branding and digital marketing work.

General working capital

The Group relocated its headquarter to Hong Kong Science Park and hired a R&D expert and related personnel after Listing. Additional working capital was required as a result of increase in production capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing received by the Company were approximately HK\$83.5 million (after deduction of Listing expenses). The net proceeds had been 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. Since the Shares have been listed on GEM for over three years and having considered the changes in the business environment, in order to utilise the net proceeds in a more effective way and to facilitate efficient management of the Company’s financial resources, the Board has resolved to reallocate the unutilised net proceeds on 30 July 2021 (details of the changes were disclosed in the Company’s announcement dated 30 July 2021). Details of the change in the use of the net proceeds at 30 July 2021 and the utilisation of the net proceeds from the Listing to 30 June 2022 are as follows:

	Original allocation of net proceeds HK\$ million	Change in allocation of net proceeds at 30 July 2021 HK\$ million	Utilised net proceeds up to 30 June 2022 HK\$ million	Unutilised revised net proceeds as at 30 June 2022 HK\$ million	Expected timeline for the proposed application of the unutilised net proceeds (Note 1)
Expand production capacity and upgrade manufacturing facilities					
- Acquire or invest on bonding wire business or related business	-	19.4	-	19.4	1 July 2022 to 31 December 2022
- Acquire machineries and equipment for quality control	3.4	0.7	(4.1)	-	-
- Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	41.9	(20.1)	(21.0)	0.8	1 July 2022 to 31 December 2022
Devote R&D resources					
- Acquire new intellectual property or develop new intellectual property	-	10.2	(10.2)	-	-
- Acquire machineries and equipment for R&D enhancement	19.5	(8.3)	(8.2)	3.0	1 July 2022 to 31 December 2022
- Engage external consultants for R&D projects	5.9	(1.9)	(3.4)	0.6	1 July 2022 to 31 December 2022
Increase sales and marketing activities	5.9	-	(4.6)	1.3	1 July 2022 to 31 December 2022
General working capital	6.9	-	(6.9)	-	
Total	83.5	-	(58.4)	25.1	

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, approximately HK\$58.4 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.

Note:

1. The expected timeline for utilising the remaining unused net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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 30 June 2022, the interests and short positions 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) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Directors	Nature of interest/ holding capacity	Number of Ordinary Shares held	Percentage of issued share capital of the Company <i>(Note 1)</i>
Mr. Chow Bok Hin Felix ("Mr. Chow") (Note 2)	Interest in a controlled corporation	357,000,000	50.60%
Professor Chow Chun Kay Stephen ("Professor Chow") (Note 2)	Interest in a controlled corporation	357,000,000	50.60%
	Beneficial owner	510,000	0.07%
Mr. Li Chiu Fan	Beneficial owner	16,050,000	2.27%

Notes:

- (1) As at 30 June 2022, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Niche-Tech Investment Holdings Limited ("BVI Holdings") is indirectly 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 Shares held by BVI Holdings.

OTHER INFORMATION

Interests in shares of the associated corporations of the Company

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

Notes:

- (1) Chows Investment Group Limited holds 100% interest in BVI Holdings. BVI Holdings in turn holds 50.60% interest in the Company. Therefore, Chows Investment Group Limited 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 Chows Investment Group Limited respectively. Chows Investment Group Limited 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 30 June 2022, none of the Directors nor chief executives of the Company had or was deemed to have any other interests and short positions in the Shares, underlying shares and 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) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

(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 30 June 2022, the persons (other than 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 of the Company 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, or which were 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

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

OTHER INFORMATION

Notes:

- (1) As at 30 June 2022, the Company's issued ordinary share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Chows Investment Group Limited 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 30 June 2022, 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 of the Company 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, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "**Scheme**") adopted on 8 May 2018 for the primary purpose of providing incentives to eligible persons including directors, eligible employees, consultants or advisers of the Group. The Directors, employees, consultants or advisers of the Group may, at the discretion of the Directors, be granted options (the "**Options**") to subscribe for Shares at a price determined by its Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant of the Options.

Without prior approval from the Company's shareholders, the total maximum number of Shares in respect of which Options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at the time dealing in the Shares first commenced on GEM which amounted to 68,000,000 Shares, representing not more than 10% of the Shares in issue as at the date of this report. The maximum number of Shares in respect of which Options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time.

Unless terminated by resolution in general meeting, the Scheme will remain in force for a period of ten years from the date of the Listing. Options granted must be taken up not later than 30 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of the Options.

The exercisable period of the Options, which shall not exceed 10 years from the date of grant, is determined by the Board at their discretion.

No Options have been granted by the Company under the Scheme since its adoption date and up to the date of this report. Therefore, no Options lapsed or were exercised or cancelled during the Period and there were no outstanding Options as at 30 June 2022.

OTHER INFORMATION

COMPETING INTERESTS

None of the Directors nor the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company complied with Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules for the Period.

Principle C.2 and code provision C.2.1 of the CG Code stipulate that there should be a clear division of the management of the Board and the day-to-day management of the business. The roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group has not appointed the chief executive officer. In view of Mr. Chow, being the founder of the Group, and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Chow acts as the chairman of the Board. Day-to-day management of the business of the Group is 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.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

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 confirmed that they have complied with the Code of Conduct and Required Standard Dealings throughout the Period. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Company has established an audit committee of the Board (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. 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 include three independent non-executive Directors, namely Mr. Poon Lai Yin Michael, Professor Ng Wang Wai Charles and Mr. Tai Chun Kit. Mr. Poon Lai Yin Michael is the chairman of the Audit Committee.

OTHER INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the Period and this report and is of the opinion that such results and report have been complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix

Executive Chairman and Executive Director

Hong Kong, 9 August 2022

As at the date of this report, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, the non-executive Director is Mr. Li Chiu Fan, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael.

This report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for a minimum period of 7 days from the date of its publication. This report will also be published on the Company’s website at www.nichetech.com.hk.