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GENES TECH GROUP HOLDINGS COMPANY LIMITED

靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8257)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

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 of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the nine months ended 30 September 2022

		Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
	Note	NTD'000	NTD'000	NTD'000	NTD'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	4	552,189	381,626	1,148,806	1,190,301
Cost of sales	5	(444,138)	(286,693)	(845,931)	(913,867)
Gross profit		108,051	94,933	302,875	276,434
Other income		–	994	2	1,013
Other (losses)/gains, net		(3,640)	2,124	4,945	799
Selling and distribution expenses	5	(17,316)	(7,411)	(43,960)	(19,401)
General and administrative expenses	5	(31,200)	(40,110)	(98,068)	(131,665)
Net impairment losses on financial assets	5	–	–	–	(6,535)
		55,895	50,530	165,794	120,645
Finance income		16	14	98	72
Finance costs		(3,824)	(3,000)	(10,314)	(9,379)
Profit before income tax		52,087	47,544	155,578	111,338
Income tax expense	6	(13,300)	(13,244)	(43,358)	(30,377)
Profit for the period attributable to owners of the Company		38,787	34,300	112,220	80,961
Other comprehensive (loss)/ income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		(5,199)	113	(8,566)	28
Total comprehensive income for the period attributable to owners of the Company		33,588	34,413	103,654	80,989
Earnings per share					
Basic and diluted (NTD cents)	7	3.88	3.43	11.22	8.10

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	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 2021 (audited)	38,815	146,571	86,908	182,226	(3,353)	318,885	770,052
Profit for the period	-	-	-	-	-	80,961	80,961
Other comprehensive income	-	-	-	-	28	-	28
Total comprehensive income for the period	-	-	-	-	28	80,961	80,989
Transfer to statutory reserve	-	-	29,110	-	-	(29,110)	-
At 30 September 2021 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>116,018</u>	<u>182,226</u>	<u>(3,325)</u>	<u>370,736</u>	<u>851,041</u>
At 1 January 2022 (audited)	38,815	146,571	116,018	182,226	(8,110)	325,690	801,210
Profit for the period	-	-	-	-	-	112,220	112,220
Other comprehensive income	-	-	-	-	(8,566)	-	(8,566)
Total comprehensive income for the period	-	-	-	-	(8,566)	112,220	103,654
Transfer to statutory reserve	-	-	20,859	-	-	(20,859)	-
At 30 September 2022 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>136,877</u>	<u>182,226</u>	<u>(16,676)</u>	<u>417,051</u>	<u>904,864</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

These condensed consolidated financial information for the nine months ended 30 September 2022 has been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with HKFRSs issued by the HKICPA.

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

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

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, with the exception of changes in accounting policy as described below.

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2022. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

HKFRS 16 (Amendments)	Covid-19 related rent concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest rate benchmark reform — phase 2

4 REVENUE AND SEGMENT INFORMATION

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

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2022	2021	2022	2021
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of turnkey solution	324,417	213,085	558,144	771,398
Manufacturing and trading of used semiconductor manufacturing equipment and parts	227,772	168,541	590,662	418,903
Revenue recognised at a point in time	552,189	381,626	1,148,806	1,190,301

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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Taiwan (place of domicile)	378,497	258,713	825,601	662,201
PRC	123,142	58,622	172,288	295,738
Singapore	36,242	11,979	108,666	149,869
United States	13,651	52,248	39,880	77,969
Japan	290	19	975	519
Germany	237	–	925	–
South Korea	–	45	225	4,005
Other countries	131	–	247	–
	<u>552,189</u>	<u>381,626</u>	<u>1,148,806</u>	<u>1,190,301</u>
Revenue recognised at a point in time	<u>552,189</u>	<u>381,626</u>	<u>1,148,806</u>	<u>1,190,301</u>

Information about major customers

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customers				
A	214,067	57,995	370,780	167,844
B	60,524	47,504	167,736	159,363
C	N/A*	86,535	N/A*	185,692
	<u>274,591</u>	<u>191,034</u>	<u>538,516</u>	<u>312,900</u>

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

5 EXPENSES BY NATURE

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration				
— Audit services	2,668	2,417	7,621	7,285
Cost of materials used	364,938	224,070	640,482	715,247
Amortisation of intangible assets				
<i>(note (a))</i>	2,855	2,892	8,745	8,674
Depreciation of property, plant and equipment <i>(note (b))</i>	3,857	4,866	12,288	14,323
Depreciation of right-of-use assets <i>(note (b))</i>	3,742	2,933	10,117	9,233
Research expense	135	325	864	1,059
Provision for warranty, net	10,376	6,940	16,186	25,372
Commission	5,776	3,506	15,235	14,704
Provision for impairment loss				
on trade receivables	—	—	—	6,535
Employee benefit expenses	66,443	57,300	192,561	184,935
Professional fees	2,914	3,126	11,078	10,833
Operating lease payments	1,044	840	3,133	2,071
Delivery charges	4,597	2,977	12,069	11,350
Travelling	6,965	5,392	15,075	14,583
Insurance	6,216	4,991	18,050	17,629
Entertainment	459	698	1,202	1,428
Utilities	1,517	1,448	3,294	3,108
Advertising	1,046	2,112	1,046	2,112
Others	7,106	7,381	18,913	20,987

Notes:

- (a) Amortisation of intangible assets is included in “General and administrative expenses”.
- (b) Depreciation of property, plant and equipment is included in “Cost of sales” and “General and administrative expenses” amounting to approximately NTD11,121,000 (30 September 2021: NTD9,534,000) and NTD11,284,000 (30 September 2021: NTD14,022,000), respectively, for the period.

6 INCOME TAX EXPENSE

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (30 September 2021: 23.6%).

7 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD112,220,000 (30 September 2021: approximately NTD80,961,000) and the weighted average of 1,000,000,000 (30 September 2021: 1,000,000,000) shares in issue during the period.

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (NTD'000)	38,787	34,300	112,220	80,961
Weighted average number of ordinary shares in issue (thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (NTD cents per share)	<u>3.88</u>	<u>3.43</u>	<u>11.22</u>	<u>8.10</u>

(b) Diluted

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

8 DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Affected by factors such as the Ukrainian crisis, global inflation and China's epidemic control, the market demand for some end-use market is weak, resulting in a gradual slowdown in the growth momentum of the semiconductor industry and inventory adjustments. For the second half of 2022, Taiwan's small and medium-sized semiconductor practitioners or manufacturers in specific fields have a sense of crisis that the peak season is not prosperous. The Market Intelligence & Consulting Institute ("MIC") indicated that the growth momentum of global semiconductors derived from 2021 would continue in 2022, but the growth may not be as expected. The market size in 2022 is estimated to be US\$605.6 billion, growing at a rate of 8.9%. Looking forward to 2023, the global market size is forecast to be US\$608.6 billion, growing at a rate of 0.5%. According to the data from World Semiconductor Trade Statistics ("WSTS"), in July 2022, the shipment of the global semiconductor industry was lower than the corresponding month of the previous year for the first time in nearly 32 months. WSTS has also revised downwards its forecast of the scale of global semiconductor market for the year from the originally expected US\$646.5 billion to US\$633.2 billion and of the growth rate from 16.3% to 13.9%. Meanwhile, the market growth rate in 2023 is expected to be lowered from 5.1% to 4.6%. On the other hand, the slowdown of the semiconductor industry has therefore affected the demand for capital expenditure from enterprises. IC Insight has revised downwards its capital expenditure forecast for semiconductors worldwide for 2022 from US\$190.4 billion announced at the beginning of 2022 to US\$185.5 billion and the expected growth rate from 24% to 21%. In response to changes in the market environment, the Group will more actively seize development opportunities, and strive to keep up with the research and development of investment products and technological improvement, so as to enhance the core competitiveness of the Group.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used Semiconductor Manufacturer Equipment (SME) 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 nine months ended 30 September 2022, the total revenue of the Group amounted to approximately NTD1,148.81 million (Corresponding period in 2021: approximately NTD1,190.30 million). Total comprehensive income attributable to owners of the Company amounted to approximately NTD103.65 million (Corresponding period in 2021: approximately NTD80.99 million). Basic earnings per share were approximately NTD11.22 cents (Corresponding period in 2021: approximately NTD8.10 cents).

TURNKEY SOLUTIONS

During the period under review, turnkey solutions remained the major revenue source of the Group. The used SME and parts supplied by the Group include furnaces, clean tracks and other related items, which are used at the front-end of the semiconductor manufacturing process 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 nine months ended 30 September 2022, the revenue from turnkey solutions of the Group amounted to approximately NTD558.15 million (Corresponding period in 2021: approximately NTD771.40 million), accounting for approximately 48.59% of the Group's total revenue.

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD590.66 million (Corresponding period in 2021: approximately NTD418.90 million) from the trading of used SME and parts, representing a rise of approximately 41.0% as compared to the corresponding period of the previous year and accounting for approximately 51.41% of the total revenue of the Group.

FINANCIAL REVIEW

For the nine months ended 30 September 2022, the total revenue of the Group amounted to approximately NTD1,148.81 million (Corresponding period in 2021: approximately NTD1,190.30 million). During the period under review, the revenue from the business of turnkey solution and trading of SME and parts amounted to approximately NTD558.15 million (Corresponding period in 2021: approximately NTD771.40 million) and NTD590.66 million (Corresponding period in 2021: approximately NTD418.90 million) respectively.

For the period under review, revenue from the domestic business in Taiwan accounted for approximately 71.87% of the Group's total revenue (Corresponding period in 2021: approximately 55.63%). Since the beginning of 2022, the semiconductor supply chain has been affected to a certain extent by the resurgence of COVID-19 pandemic in Taiwan. The Company's customers have also become more cautious as a result of the slowdown of growth momentum for the semiconductor industry in the second half of the year, and the supply of raw materials for turnkey solutions and used SME, as well as post-completion delivery, logistics and acceptance were affected in different levels, resulting in varying degrees of impact on the Company's revenue during the period under review.

During the period under review, the gross profit of the Group amounted to approximately NTD302.88 million (Corresponding period in 2021: approximately NTD276.43 million), while the gross profit margin was approximately 26.36% (Corresponding period in 2021: approximately 23.22%).

For the nine months ended 30 September 2022, total comprehensive income attributable to owners of the Company amounted to approximately NTD103.65 million (Corresponding period in 2021: approximately NTD80.99 million), while basic earnings per share amounted to approximately NTD11.22 cents (Corresponding period in 2021: approximately NTD8.10 cents).

OUTLOOK

Since the second half of 2022, because of the Russian-Ukrainian conflict, global inflation and China's epidemic control coupled with persistent variables such as rising taxes and interest rates as well as the weakening end market for semiconductor consumption, industry players along the supply chain for semiconductor production and sales are facing varying degrees of pressure for destocking. According to Gartner's latest forecast, the total revenue for semiconductor industry worldwide for 2022 is expected to be US\$639.2 billion, representing an increase of approximately 7.4% which is a significant decline from the forecast of 13.6% in the previous quarter and much lower than the 26.3% in 2021. Disposable income of consumers is under pressure as a result of inflation and the increase in taxes and interest rates, affecting spending on electronic consumer products such as personal computers and smartphones and thus weakening the end market demand for semiconductors. Revenue from semiconductors used in personal computers is forecast to fall by 5.4% in 2022, while the revenue growth rate for semiconductors from smartphones would slow down towards 3.1%, far below the 24.5% in 2021. Despite the slowdown in consumption, benefitting from continuous investment in related fields such as cloud infrastructure and artificial intelligence (AI), it is expected that revenue from semiconductors in the data centre market would increase by 20% in 2022 when its resilience would last for a long period. In addition, the automotive application market will continue to experience double-digit growth over the next three years as the automotive industry is developing towards the stages of electrification and automation. The value of semiconductors used in each vehicle is expected to increase from US\$712 in 2022 to US\$931 in 2025. According to the forecast of SEMI, the global semiconductor market will reach US\$625 billion in terms of scale in 2022, with a growth rate of more than 12%, when the global semiconductor capital expenditure will rise by 21% to US\$188.5 billion. IC Insight has also revised downwards its forecast of capital expenditure for semiconductors worldwide for 2022 from US\$190.4 billion announced at the beginning of 2022 to US\$185.5 billion and the expected growth rate from 24% to 21%. In spite of the above, the double-digit growth in capital expenditure for semiconductors has lasted for three consecutive years again, compared to the previous consecutive period from 1993 to 1995. MIC predicts that the market size in 2022 will be approximately US\$605.6 billion, growing at a rate of 8.9%. Looking forward to 2023, it is expected to reach US\$608.6 billion, growing at a rate of 0.5%, and is distinctively lower as compared to the growth rate of 26.2% for 2021. Especially, the performance of Taiwan's semiconductor industry is still outperforming the world, with its semiconductor output value expected to reach NTD4.3 trillion in 2022 when growing at a rate of 15.8%, and there would be a slight increase of 1.7% in 2023.

The COVID-19 pandemic and the continued geopolitical tensions have caused semiconductors to be in short supply for the past two years, enabling the localization strategy of semiconductor industry to become a global trend. Looking forward to 2023, geopolitical influence will continue to loom over the semiconductor industry. After the passing of the “CHIPS and Science Act (晶片法案)” in August, the United States advocated the “CHIP 4” alliance formed by the United States, Taiwan, South Korea and Japan, and thereafter the most stringent prohibition so far for semiconductor export was introduced in October. As a result, semiconductor industry players have to reassess the business risks of operating in the Chinese market and to plan for different situations.

The major business of the Group is to transform and/or upgrade the SME of production systems and to provide turnkey solutions according to customers’ needs, so that customers can expand their semiconductor production capacity at a lower cost. The Group will closely monitor the changes in the market environment, respond to market changes in a prudent and prompt manner to seize development opportunities, and actively explore new development opportunities. The Group will also increase its effort in exploring talents, strengthen its innovation and R&D capabilities, and enhance its core competitiveness, so as to create long-term value for shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings for the nine months ended 30 September 2022. The Group’s primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 30 September 2022, the borrowings of the Group totaled approximately NTD629.87 million (31 December 2021: approximately NTD635.36 million). As at 30 September 2022, the gearing ratio of the Group, as calculated by dividing the Group’s net debt by the Group’s total equity, was approximately 48.90% (31 December 2021: approximately 57.71%).

CHARGE ON ASSETS

As at 30 September 2022, 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 NTD194.74 million (31 December 2021: approximately NTD267.11 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any significant capital commitment (31 December 2021: Nil). As at 30 September 2022, the Group did not have any significant contingent liability (31 December 2021: Nil).

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

During the period, the Group had no material investments or disposal of subsidiaries or capital assets.

HUMAN RESOURCES

As at 30 September 2022, the Group employed approximately 287 employees. All our staff 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 also provided to the employees as well.

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: Nil).

OTHER INFORMATION

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

As at 30 September 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares:

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang (“Mr. Yang”)	Beneficial owner	27,975,000	2.79%
	Interest in persons acting in concert (<i>Note</i>)	654,075,000	65.41%
		<u>682,050,000</u>	<u>68.20%</u>
Ms. Wei Hung-Li (“Ms. Wei”)	Beneficial owner	19,125,000	1.91%
	Interest in persons acting in concert (<i>Note</i>)	662,925,000	66.29%
		<u>682,050,000</u>	<u>68.20%</u>

Note: Pursuant to the concert party agreement dated 22 August 2016 (the “**Concert Party Agreement**”) entered into by Mr. Yang, Tai-Yi Investment Co. Ltd., Ms. Wei, our former directors, Mr. Lin Yen-Po and Mr. Fan Chiang-Shen, are a group of controlling shareholders (as defined under the GEM Listing Rules) (the “**Controlling Shareholders**”) of the Company (the “**Concert Parties**”), the Concert Parties have agreed with certain arrangements pertaining to their shareholding. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties’ control.

Save as disclosed above, as at 30 September 2022, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

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

As at 30 September 2022, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares:

Name of substantial shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Queenbest Development Limited ("Queenbest") (Note 1)	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited ("Ever Wealth") (Note 2)	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited ("Planeta") (Note 3)	Beneficial interest	63,750,000	6.38%
Tai-Yi Investment Co. Ltd. ("Tai Yi") (Note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (Note 5)	570,750,000	57.07%
		682,050,000	68.20%

Name of substantial shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Fan Chiang-Shen ("Mr. Fan")	Beneficial owner	2,925,000	0.29%
	Interest in persons acting in concert (Note 5)	679,125,000	67.91%
		682,050,000	68.20%
Mr. Lin Yen-Po ("Mr. Lin")	Beneficial owner	1,200,000	0.12%
	Interest in persons acting in concert (Note 5)	680,850,000	68.08%
		682,050,000	68.20%
Mr. Chen Yuan-Chi ("Mr. Chen") (Note 6)	Interest of a controlled corporation	682,050,000	68.20%
Double Solutions Limited ("Double Solutions") (Note 7)	Beneficial interest	67,950,000	6.80%
Ms. Chan Suk Sheung Rembi ("Ms. Chan") (Note 8)	Interest of a controlled corporation	67,950,000	6.80%

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the "BVI"). As at 30 September 2022, it was held by 35 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, our former directors, Mr. Lin and Mr. Fan, were interested in approximately 5.1% and 10.7% of its shareholding respectively. The other shareholders were mainly employees and ex-employees of Genes Tech Co., Ltd. ("Genes Tech", an indirect wholly-owned subsidiary of the Company) who were independent third parties (as defined under the GEM Listing Rules) ("Independent Third Parties") and each held interests ranging from approximately 0.01% to 8.0%.
- (2) Ever Wealth is a company incorporated in the Republic of Seychelles. As at the date of this announcement, it was held by 9 individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin, our former director, was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.

- (3) Planeta is a company incorporated in Anguilla. As at the date of this announcement, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, our former directors, Mr. Lin and Mr. Fan, were interested in approximately 17.8% and 10.7% of its shareholding respectively. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
- (4) Tai Yi is a company incorporated in Taiwan. As at 30 September 2022, it was held by 6 individual shareholders. Tai Yi is a party to the Concert Party Agreement.
- (5) Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangements pertaining to their shareholding. Mr. Yang, Tai Yi, Ms. Wei, our former directors, Mr. Lin and Mr. Fan, are a group of Controlling Shareholders. The interests in these shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties' control.
- (6) Mr. Chen is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these shares pursuant to Part XV of the SFO.
- (7) Double Solutions is a company incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.
- (8) Ms. Chan is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 September 2022, the Directors are not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at of 30 September 2022 and up to the date of this announcement, neither the Directors nor the chief executive of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time as of 30 September 2022 and up to the date of this announcement was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 (“**the Listing Date**”) to 30 September 2022, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group’s business) which, directly or indirectly, was or may be in competition or otherwise had any conflicts of interests with the Group’s business.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the period from the Listing Date to 30 September 2022.

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules in respect of securities transactions by directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from 1 January 2022 to 30 September 2022.

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2022 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2022, third quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 20 June 2017 (the “**Share Option Scheme**”). As at 30 September 2022 and up to the date of this third quarterly report, there was no option granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 30 September 2022 and up to the date of this third quarterly report, there was no outstanding share option not yet exercised under the Share Option Scheme.

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

From 1 January 2022 to 30 September 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed shares.

By order of the Board
Yang Ming-Hsiang
Chairman and Chief Executive Officer

Taiwan, 10 November 2022

As at the date of this announcement, the executive Directors are Mr. Yang Ming-Hsiang, Ms. Wei Hung-Li, 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 Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and will also be published on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk and on the Company’s website at www.genestech.com.