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## **GENES TECH GROUP HOLDINGS COMPANY LIMITED**

**靖洋集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8257)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- Revenue increase by approximately 6.78% from approximately NTD1,497.33 million for the year ended 31 December 2021 to approximately NTD1,598.90 million for the year ended 31 December 2022.
- Total comprehensive income for the year attributable to owners of the Company decreased by approximately 218.83% from total comprehensive income approximately NTD74.65 million for the year ended 31 December 2021 to total comprehensive loss approximately NTD88.70 million for the year ended 31 December 2022.
- Basic earnings per share decrease from NTD7.94 cents for the year ended 31 December 2021 to basic loss per share NTD8.04 cents for the year ended 31 December 2022.
- The Board did not recommend the payment of dividend for the year ended 31 December 2022 (2021: Nil).
- As stated in the announcement of the Group dated 19 December 2022, as a warehouse of the Group for storing aged and less commonly used inventories was affected by a fire accident of an adjacent factory on 18 December 2022, the Group has incurred a loss of approximately NTD257.79 million for damaged inventories accordingly for the year ended 31 December 2022.

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the preceding financial year, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 NTD'000	2021 NTD'000
<b>Revenue</b>	3	<b>1,598,898</b>	1,497,334
Cost of sales	6	<u>(1,233,622)</u>	<u>(1,155,161)</u>
		<b>365,276</b>	342,173
Loss on fire accident	6	<u>(257,793)</u>	<u>—</u>
<b>Gross profit</b>		<b>107,483</b>	342,173
Other income	4	<b>371</b>	1,022
Other gains, net	4	<b>18,498</b>	6,188
Selling and distribution expenses	6	<b>(61,114)</b>	(56,682)
General and administrative expenses	6	<b>(130,306)</b>	(155,115)
Net impairment losses on financial assets	6	<u>(2,964)</u>	<u>(6,980)</u>
		<b>(68,032)</b>	130,606
Finance income	5	<b>438</b>	100
Finance costs	5	<u>(14,787)</u>	<u>(12,351)</u>
<b>(Loss)/profit before income tax</b>		<b>(82,381)</b>	118,355
Income tax credit/(expense)	7	<u>1,945</u>	<u>(38,952)</u>
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<u><b>(80,436)</b></u>	<u>79,403</u>
<b>Other comprehensive loss, net of tax:</b>			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		<u>(8,265)</u>	<u>(4,757)</u>
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>		<u><b>(88,701)</b></u>	<u>74,646</u>
<b>(Loss)/earnings per share</b>			
Basic and diluted (NTD cents)	9	<u><b>(8.04)</b></u>	<u>7.94</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>NTD'000</i>	2021 <i>NTD'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		307,823	306,693
Right-of-use assets		31,124	21,919
Intangible assets		97,643	107,353
Deferred income tax assets		66,602	21,841
Deposits		8,878	8,025
		<b>512,070</b>	465,831
<b>Current assets</b>			
Inventories		1,321,367	1,595,639
Trade receivables	<i>10</i>	219,001	204,936
Prepayments, deposits and other receivables		191,207	123,250
Cash and cash equivalents		239,675	172,957
		<b>1,971,250</b>	2,096,782
<b>Total assets</b>		<b>2,483,320</b>	2,562,613
<b>Equity</b>			
Share capital		38,815	38,815
Reserves		673,694	762,395
<b>Total equity</b>		<b>712,509</b>	801,210
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings		200,361	245,049
Lease liabilities		18,263	11,799
		<b>218,624</b>	256,848
<b>Current liabilities</b>			
Trade payables and other payables	<i>11</i>	397,828	468,889
Contract liabilities	<i>11</i>	648,779	580,615
Lease liabilities		13,699	10,643
Bank borrowings		450,304	390,310
Current income tax liabilities		41,577	54,098
		<b>1,552,187</b>	1,504,555
<b>Total liabilities</b>		<b>1,770,811</b>	1,761,403
<b>Total equity and liabilities</b>		<b>2,483,320</b>	2,562,613

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 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>
<b>At 1 January 2021</b>	38,815	146,571	86,908	182,226	(3,353)	318,885	770,052
Profit for the year	-	-	-	-	-	79,403	79,403
Other comprehensive loss	-	-	-	-	(4,757)	-	(4,757)
Total comprehensive (loss)/income for the year	-	-	-	-	(4,757)	79,403	74,646
Transfer to statutory reserve	-	-	29,110	-	-	(29,110)	-
Dividend declared	-	-	-	-	-	(43,488)	(43,488)
<b>At 31 December 2021 and 1 January 2022</b>	<b>38,815</b>	<b>146,571</b>	<b>116,018</b>	<b>182,226</b>	<b>(8,110)</b>	<b>325,690</b>	<b>801,210</b>
Loss for the year	-	-	-	-	-	(80,436)	(80,436)
Other comprehensive loss	-	-	-	-	(8,265)	-	(8,265)
Total comprehensive loss for the year	-	-	-	-	(8,265)	(80,436)	(88,701)
Transfer to statutory reserve	-	-	20,859	-	-	(20,859)	-
<b>At 31 December 2022</b>	<b>38,815</b>	<b>146,571</b>	<b>136,877</b>	<b>182,226</b>	<b>(16,375)</b>	<b>224,395</b>	<b>712,509</b>

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

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

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

Particulars of the Company’s subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
<b>Interests held directly</b>				
Genes Tech (Hong Kong) Co., Limited	Incorporated in Hong Kong on 13 April 2018 as a limited liability company	100 ordinary shares of Hong Kong dollar (“HK\$”) 1 each	100%	Investment holding, Hong Kong
Top Lucky International Limited	Incorporated in Hong Kong on 26 March 2018 as a limited liability company	100 ordinary shares of HK\$1 each	100%	Investment holding, Hong Kong
Top Vitality Limited (“Top Vitality”)	Incorporated in Anguilla on 28 April 2016 as a limited liability company	1,000,000 ordinary shares of United States dollar (“USD”) 1 each	100%	Investment holding, Anguilla
<b>Interests held indirectly</b>				
靖洋科技股份有限公司 Genes Tech Co., Limited* (“Genes Tech”)	Incorporated in Taiwan on 28 December 2009 as a limited liability company	15,000,000 ordinary shares of NTD 10 each	100%	Provision of turnkey solution and trading of semiconductor manufacturing equipment and parts, Taiwan
崇濬科技股份有限公司 Astro Thermal Technology Corporation* (“Astro Thermal Technology”)	Incorporated in Taiwan on 27 July 2009 as a limited liability company	1,500,000 ordinary shares of NTD10 each	100%	Manufacturing and sale of heating jackets, Taiwan
上海靖洄科技有限公司 SHANGHAI GENES TECH CO., LTD.*	Incorporated in PRC on 12 May 2020 as a limited liability company	USD700,000/ RMB20,000,000	100%	Provision of turnkey solution and trading of semiconductor manufacturing equipment and parts, PRC

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Certain comparative financial information has been restated to conform with current year’s presentation.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

<b>Standards</b>	<b>Subject of amendment</b>
Annual Improvements to HKFRSs 2018–2020	Annual Improvements Project
Narrow-scope amendments	Amendments to HKFR3, HKAS 16 and HKAS 37
Covid-19-Related Rent Concessions beyond 2021	Amendments to HKFRS 16
Merger Accounting for Common Control Combinations	Revised Accounting Guideline 5

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

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

The following new standards, new interpretations and amended standards have been issued but are not effective for financial year beginning on 1 January 2022 and have not been early adopted by the Group.

		<b>Effective for annual reporting periods beginning on or after</b>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	HKFRS 17	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendment to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Revised Hong Kong- Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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



### 3. SEGMENT INFORMATION

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

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Provision of turnkey solution	801,834	874,827
Trading of used semiconductor manufacturing equipment and parts	<u>797,064</u>	<u>622,507</u>
Revenue recognised at a point in time	<u><u>1,598,898</u></u>	<u><u>1,497,334</u></u>

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

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

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Taiwan (place of domicile)	1,130,953	862,287
PRC	273,872	354,193
Singapore	119,749	196,617
United States	71,869	79,380
Japan	1,058	706
Germany	925	–
South Korea	225	4,040
Other countries	<u>247</u>	<u>111</u>
	<u><u>1,598,898</u></u>	<u><u>1,497,334</u></u>

#### Information about major customers

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

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
<b>Customers</b>		
A	560,492	185,142
B	204,387	214,218
C	<u>N/A*</u>	<u>271,017</u>

\* The corresponding customer did not contribute over 10% of total revenue of the Group in 2022.

#### 4. OTHER INCOME AND OTHER GAINS, NET

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
<b>Other income</b>		
Sundry income	<u>371</u>	<u>1,022</u>
	<u><u>371</u></u>	<u><u>1,022</u></u>
<b>Other gains, net</b>		
Exchange gains, net	18,494	6,188
Others	<u>4</u>	<u>–</u>
	<u><u>18,498</u></u>	<u><u>6,188</u></u>

#### 5. FINANCE INCOME AND COSTS

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Finance income		
Bank interest income	<u>438</u>	<u>100</u>
Finance costs		
Interest on bank borrowings	(14,237)	(11,894)
Interest on lease liabilities	<u>(550)</u>	<u>(457)</u>
	<u><u>(14,787)</u></u>	<u><u>(12,351)</u></u>
Net finance costs	<u><u>(14,349)</u></u>	<u><u>(12,251)</u></u>

## 6. EXPENSES BY NATURE

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Auditors' remuneration		
— Audit services	<b>10,253</b>	9,693
Cost of materials used	<b>966,877</b>	875,566
Loss on fire accident ( <i>note (a)</i> )	<b>129,810</b>	—
Amortisation of intangible assets ( <i>note (b)</i> )	<b>11,651</b>	11,388
Depreciation of property, plant and equipment ( <i>note (c)</i> )	<b>16,029</b>	19,242
Depreciation of right-of-use assets	<b>13,788</b>	12,032
Research expense	<b>1,150</b>	1,500
Provision for warranty, net	<b>12,971</b>	16,714
Employee benefit expenses	<b>275,283</b>	262,233
Professional fees	<b>13,669</b>	11,333
Commission fee	<b>19,801</b>	21,223
Provision for impairment loss on trade receivables	<b>2,964</b>	6,980
Provision for impairment loss on inventory ( <i>note (a)</i> )	<b>108,825</b>	20,674
Expense relating to short-term leases	<b>4,370</b>	2,874
Delivery charges	<b>17,141</b>	14,932
Travelling	<b>23,073</b>	25,054
Insurance	<b>23,778</b>	22,976
Entertainment	<b>1,904</b>	2,656
Utilities	<b>4,354</b>	4,175
Others	<b>28,108</b>	32,693
	<b><u>1,685,799</u></b>	<b><u>1,373,938</u></b>

### *Notes:*

- (a) On 18 December 2022, a fire broke out at a premises adjacent to a warehouse of the Group located offsite from the headquarter building of the Group. Such warehouse is principally used by the Group to store aged and less commonly used inventory. This fire accident resulted in a loss on inventory amounting to approximately NTD257,793,000. Such loss is accounted for as “Cost of sales” in the consolidated financial statements of the Group. While the Group is seeking insurance claim in relation to the above fire accident, no contingent asset in relation to the potential amount recoverable from the insurance company is recorded as at 31 December 2022.
- (b) Amortisation of intangible assets is included in “General and administrative expenses”.
- (c) Depreciation of property, plant and equipment is included in “Cost of sales” and “General and administrative expenses”, amounting to approximately NTD10,795,000 (2021: NTD10,031,000) and NTD5,235,000 (2021: NTD9,211,000), respectively.

## 7. INCOME TAX (CREDIT)/EXPENSE

	2022 NTD'000	2021 NTD'000
<b>Current tax — Taiwan</b>		
Current tax on profits for the year	40,843	35,255
Reversal of income tax on the undistributed surplus earnings	–	(7,500)
Under/(over)-provision in prior years	1,973	(999)
	<u>42,816</u>	<u>26,756</u>
Withholding tax ( <i>Note</i> )	–	12,600
Deferred income tax	(44,761)	(404)
	<u>(1,945)</u>	<u>38,952</u>

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

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

The Legislative Yuan passed its third reading of Amendments to the Income Tax Act for Taiwan income tax rate and additional income tax rate on 18 January 2018 and took effect on 1 January 2018. As such, Taiwan Income Tax is calculated at 20% (2021: 20%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and Anguilla, neither the Company nor any of its subsidiaries is subject to any income tax under the jurisdictions during the year (2021: Nil).

Further pursuant to the Article 66-9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, Taiwan, an additional income tax shall be charged at 5% (2021: 5%) on the undistributed surplus earnings in prior year.

Reconciliation between income tax (credit)/expense and (loss)/profit before income tax at applicable tax rate is as follows:

	2022 NTD'000	2021 NTD'000
(Loss)/profit before income tax	<u>(82,381)</u>	<u>118,355</u>
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	(12,895)	34,016
Income not subject to tax	(363)	(71)
Expense not deductible for tax purpose	541	372
Under/(over)-provision in prior years	1,973	(999)
Reversal of income tax on the undistributed surplus earnings	–	(7,500)
Withholding tax	–	12,600
Difference in tax rate over current tax and deferred tax	8,396	(73)
Others	403	607
	<u>(1,945)</u>	<u>38,952</u>

## 8. DIVIDENDS

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Final dividend of Nil per share (2021: Nil per share)	<u>—</u>	<u>—</u>

Subsequent to the end of the reporting period of 2022, the board resolved not to propose any dividend in respect of the year ended 31 December 2022.

## 9. (LOSS)/EARNINGS PER SHARE

### (a) Basic

The calculations of basic (loss)/earnings per share are based on the loss for the year attributable to owners of the Company of approximately NTD80,436,000 (2021: the profit for the year attributable to owners of the Company of approximately NTD79,403,000) and the weighted average of 1,000,000,000 (2021: 1,000,000,000) shares in issue during the year.

	2022	2021
(Loss)/profit for the year attributable to owners of the Company (NTD'000)	<b>(80,436)</b>	79,403
Weighted average number of ordinary shares in issue (thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Basic (loss)/earnings per share (NTD cents per share)	<u><b>(8.04)</b></u>	<u>7.94</u>

### (b) Diluted

Diluted (loss)/earnings per share were same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the years.

## 10. TRADE RECEIVABLES

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Trade receivables	<b>229,816</b>	215,360
Less: provision for impairment	<u><b>(10,815)</b></u>	<u>(10,424)</u>
	<u><b>219,001</b></u>	<u>204,936</u>

The Group normally allows credit period ranging from 30 to 90 days (2021: 30 to 90 days) to its major customers.

The Group applies the HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables. The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The Group did not hold any collateral as security or other credit enhancements over the trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

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

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
0–30 days	<b>138,907</b>	116,057
31–90 days	<b>48,488</b>	67,226
91–180 days	<b>11,876</b>	11,321
181–365 days	<b>16,083</b>	7,388
Over 1 year	<b>3,647</b>	2,944
	<b><u>219,001</u></b>	<b><u>204,936</u></b>

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

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

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
NTD	<b>101,218</b>	108,475
USD	<b>115,018</b>	93,951
RMB	<b>2,765</b>	2,510
	<b><u>219,001</u></b>	<b><u>204,936</u></b>

## 11. TRADE AND OTHER PAYABLES

	2022 <i>NTD'000</i>	2021 <i>NTD'000</i>
Trade payables ( <i>note (a)</i> )	<b>251,791</b>	327,318
Other payables	<b>1,092</b>	1,283
Accruals	<b>125,062</b>	121,342
Provision for warranty ( <i>note (b)</i> )	<b>19,883</b>	18,946
	<b><u>397,828</u></b>	<b><u>468,889</u></b>
Contract liabilities ( <i>note (c)</i> )	<b><u>648,779</u></b>	<b><u>580,615</u></b>

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

	<b>2022</b>	2021
	<i>NTD'000</i>	<i>NTD'000</i>
NTD	<b>290,677</b>	344,906
USD	<b>70,053</b>	93,471
HKD	<b>9,860</b>	9,526
Others	<b>7,355</b>	2,040
	<u><b>377,945</b></u>	<u>449,943</u>

**(a) Trade payables**

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

	<b>2022</b>	2021
	<i>NTD'000</i>	<i>NTD'000</i>
Current or less than 1 month	<b>121,936</b>	152,282
1 to 3 months	<b>75,775</b>	97,494
More than 3 months to 1 year	<b>46,440</b>	58,594
More than 1 year	<b>7,640</b>	18,948
	<u><b>251,791</b></u>	<u>327,318</u>

**(b) Provision for warranty**

	<i>NTD'000</i>
As at 1 January 2021	23,215
Additional provision	30,408
Utilised during the year	(20,983)
Reversal during the year	<u>(13,694)</u>
As at 31 December 2021 and 1 January 2022	18,946
Additional provision	26,698
Utilised during the year	(12,034)
Reversal during the year	<u>(13,727)</u>
<b>As at 31 December 2022</b>	<u><b>19,883</b></u>

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

(c) **Contract liabilities**

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

	<b>Year ended 31 December 2022 NTD'000</b>	Year ended 31 December 2021 NTD'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u><b>434,311</b></u>	<u>286,734</u>

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

Contract liabilities have increased by approximately NTD68,164,000 as at 31 December 2022 due to more deposits received from customers. The amount is expected to be recognised as revenue within one to two financial years.



## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

In 2022, there was a structural differentiation in the global semiconductor market and the industry, automotive electronics and other fields remained relatively resilient. Affected by the pandemic lockdown in the mainland of the PRC, Ukraine crisis, macro-economic downturn, global inflation and other factors, the consumer sentiment decreased. Compared to 2021, the demand and supply situation of consumer-related chips fluctuated with an overall over-supply and the economic downturn sustained. In 2022, the sales volumes of smart phones and personal computers, two important downstream fields of semiconductors, decreased significantly. According to the information from International Data Corporation (IDC), the global output of smart phone was 1.206 billion in 2022, representing a decrease of 11.3% as compared to 2021. This was the lowest annual output since 2013. According to the research of Gartner, the total global output of personal computer was 65.30 million in the fourth quarter of 2022, representing a year-on-year decrease of 28.5%. The output of personal computer reached 286 million in 2022, representing a decrease of 16.2% as compared to 2021. On the other hand, the sales volumes of electric vehicle market gradually increased. According to the information provided by LMC Automotive and EV-Volumes, the research institutions, the global total sales volumes of electric vehicle was approximately 7.80 million, representing a year-on-year increase of 68%. The global total sales volumes of new car reached 80.60 million in 2022, representing a year-on-year decrease of 1%. The ratio of global sales volumes of electric vehicle to sales volumes of all new cars reached 10% for the first time, which was higher than 8.3% in 2021.

According to the information from Semiconductor Industry Association (SIA), the global sales of semiconductor increased by 3.2% from USD555.9 billion in 2021 to a record high of USD573.5 billion in 2022. However, the sales in the fourth quarter of 2022 recorded a year-on-year decrease of 14.7% to USD130.2 billion and a quarter-on-quarter decrease of 7.7%. According to the research of Gartner, the global total revenue of semiconductor only increased by 1.1% and reached USD601.7 billion in 2022, which is slightly higher than USD595.0 billion in 2021. According to Semiconductor Equipment and Materials International (SEMI), the global sales volume of semiconductor equipment increased by 5.9% and reached USD108.5 billion in 2022, while it will decrease by 16% to USD91.2 billion in 2023. According to Taiwan Semiconductor Industry Association (TSIA), the production value of semiconductor industry in Taiwan was approximately TWD4.84 trillion in 2022, representing an increase of 18.5%, which is higher than 3.2% of the global semiconductor market. Looking forward to 2023, the production value of semiconductor industry in Taiwan is expected to decrease to approximately TWD4.56 trillion, representing a year-on-year decrease of 5.6%. The Group will closely monitor the changes in the market environment, adopt proactive strategies, and respond to market changes in a prudent and prompt manner to further consolidate its market position.

## **BUSINESS REVIEW**

The Group is a turnkey solution provider and exporter of used 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 year ended 31 December 2022, the total revenue of the Group amounted to approximately NTD1,598.90 million (2021: approximately NTD1,497.33 million). As stated in the announcement of the Group dated 19 December 2022, as a warehouse of the Group for storing aged and less commonly used inventories was affected by a fire accident of an adjacent factory on 18 December 2022, the Group has incurred a loss of approximately NTD257.79 million for damaged inventories accordingly for the year ended 31 December 2022, causing losses in this year. Total comprehensive loss attributable to owners of the Company amounted to approximately NTD88.70 million (2021: total comprehensive income of approximately NTD74.65 million). Basic losses per share were approximately NTD8.04 cents (2021: basic earnings per share approximately NTD7.94 cents).

## **TURNKEY SOLUTIONS**

The used SME and parts supplied by the Group include furnaces and clean tracks which are used at the front-end of the semiconductor manufacturing process and wafer fabrication such as deposition, photoresist coating and development. The semiconductors produced by the customers using the SME of the Group were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products. For the year ended 31 December 2022, the revenue amounted to approximately NTD801.83 million (2021: approximately NTD874.83 million), accounting for approximately 50.15% (2021: 58.43%) of the Group's total revenue.

## **TRADING OF USED SME AND PARTS**

During the year of 2022, the Group recorded revenue of approximately NTD797.06 million (2021: approximately NTD622.51 million) from the trading of used SME and parts, representing an increase of approximately 28.04% year-over-year and accounting for approximately 49.85% (2021: approximately 41.57%) of the total revenue of the Group. Moving into the second half of 2022, the semiconductor industry encountered a periodic change and each of the midstream and downstream enterprise strictly controlled capital expenditures. The used SME business of the Group is modified and/or updated by flexible assembly forms and according to customers' technical requirements and specification and attracts customers' adoption by its advantage of competitive prices.

## **FINANCIAL REVIEW**

For the year ended 31 December 2022, the total revenue of the Group amounted to approximately NTD1,598.90 million (2021: approximately NTD1,497.33 million). The revenue from the business of turnkey solution and trading of used SME and parts amounted to approximately NTD801.83 million (2021: approximately NTD874.83 million) and NTD797.06 million (2021: approximately NTD622.51 million) respectively.

During the period under review, the revenue from the domestic business in Taiwan accounted for approximately 70.73% (2021: approximately 57.59%) of the Group's total revenue. As the used SME business of the Group was mainly from the domestic customer in Taiwan during the year, the share of revenue derived from the domestic business in Taiwan relatively increased.

For the year ended 31 December 2022, the gross profit of the Group was approximately NTD107.48 million (2021: approximately NTD342.17 million), and the gross profit margin was approximately 6.72% (2021: approximately 22.85%).

As stated in the announcement of the Group dated 19 December 2022, as a warehouse of the Group for storing aged and less commonly used inventories was affected by a fire accident of an adjacent factory on 18 December 2022, the Group has incurred a loss of approximately NTD257.79 million for damaged inventories accordingly for the year ended 31 December 2022. For the year ended 31 December 2022, the total comprehensive loss attributable to owners of the Company was approximately NTD88.70 million (2021: total comprehensive income of approximately NTD74.65 million). The basic losses per share were approximately NTD8.04 cents (2021: basic earnings per share of approximately NTD7.94 cents).

## **NON-HKFRS MEASURES**

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also present adjusted gross profit, adjusted gross profit margin and adjusted profit before tax, each a non-HKFRS measure, as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted gross profit (non-HKFRS measure), as we present it, represents gross profit/profit before tax for the year adjusted for the effect of the fire accident, while adjusted gross profit margin (non-HKFRS measure), as we present it, is calculated by adjusted gross profit (non-HKFRS measure) divided by revenue. The effect of fire loss pertains to loss on inventory amounting to approximately NTD257.79 million. Due to the one-off nature of the loss, we believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides more useful information to investors and management.

While these non-HKFRS measures provide additional financial measures for investors to assess our operating performance, the use of these non-HKFRS measures has certain limitations.

These non-HKFRS measures should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures. In addition, because they may not be calculated in the same manner by all companies, our adjusted gross profit (non-HKFRS measure), adjusted gross profit margin (non-HKFRS measure) and adjusted profit before tax (non-HKFRS measure) may not be comparable to the same or similarly titled measures presented by other companies.

The following table reconciles the reported gross profit, gross profit margin and (loss)/profit before tax for the year under HKFRS to adjusted gross profit (non-HKFRS measures), adjusted gross profit margin (non-HKFRS measures) and adjusted profit before tax (non-HKFRS measures), respectively, for the year indicated:

	Gross profit		Gross profit margin		(Loss)/profit before tax	
	2022	2021	2022	2021	2022	2021
	NTD'000	NTD'000	%	%	NTD'000	NTD'000
As reported under HKFRS	107,483	342,173	6.7	22.9	(82,381)	118,355
Adjustment for the loss on fire accident	257,793	-	16.1	-	257,793	-
As adjusted (non-HKFRS measure)	<u>365,276</u>	<u>342,173</u>	<u>22.8</u>	<u>22.9</u>	<u>175,412</u>	<u>118,355</u>

## OUTLOOK

In the first half of 2022, the supply and demand imbalance of the global semiconductor continued due to the strong recovery of post-COVID-19 economic activities. However, in the second half of the year, several global supply chains have been affected by soaring inflationary pressures, rising interest rates and increased energy costs, rapidly slowing down the global economy and causing the global semiconductor market to take a nosedive. In general, the semiconductor market has been polarized in the consumer-driven consumption sector and the enterprise-driven industrial and automotive electronics sectors. Demand for electronics in the consumption sector was weak due to the decrease in disposable income as a result of inflation and rising interest rates. Despite the current macroeconomic slowdown, enterprise-driven markets, such as cloud infrastructure investment, electric and autonomous vehicle (ADAS) industry, medical and commercial transportation, remained relatively resilient. According to Gartner's forecast, the compound annual growth rate of the production value of automotive semiconductors will reach 13.8% from 2021 to 2026. The increase is preceded only by storage semiconductors of 14%, which will be the main growth momentum of semiconductors in the future.

According to the forecast released by the World Semiconductor Trade Statistics (WSTS) at the end of November 2022, the global annual sales volume will reach USD580.1 billion in 2022, which is higher than USD555.9 billion in 2021, representing an increase of 4.4%, while the forecast for 2023 has been revised downwards to USD556.5 billion from a year-on-year growth of 4.6% to a decline of 4.1%. It is also Gartner's forecast that the global semiconductor sales income will decrease by 3.6% to USD596 billion in 2023 from USD618 billion in 2022. According to IC Insights, the global semiconductor sales volume has increased by 3% to USD636 billion in 2022, and is expected to fall by 5% in 2023. In spite of the above, several market research institutions also expect this downward cycle to bottom out in the second half of 2023, with global semiconductor sales rebounding in 2024.

Under the inflation and gradual recession, IC Insights expects that capital expenditures will be significantly reduced in 2023 as the semiconductor market begins to absorb three consecutive years of strong capital expenditures since 2020. IC Insights predicts that the capital expenditure of the global semiconductor industry will still increase by 19% in 2022 as compared with 2021, reaching a record high of USD181.7 billion. In 2023, the capital expenditure of the global semiconductor industry will decrease by 19% year-on-year, which will be the largest decline since the global financial crisis in 2008. According to Semiconductor Equipment and Materials International (SEMI), the global semiconductor equipment sales will increase by 5.9% to USD108.5 billion in 2022, decrease by 16% to USD91.2 billion in 2023 and return to grow by 17.5% to USD107.2 billion in 2024.

In 2023, the geopolitical impact will continue to envelope the global semiconductor industry. After the passing of the "CHIPS and Science Act (晶片法案)" in August 2022, the United States advocated the "CHIP 4" alliance formed by the United States, Taiwan, South Korea and Japan, and thereafter the tightened rules on the export of advanced semiconductor technology to the PRC was implemented in October. In January 2023, the governments of the United States, the Netherlands and Japan reached an agreement to impose new equipment export controls and restrictions on the chip manufacturing in the PRC, affecting the development and deployment of the global semiconductor industry. The Group will pay close attention to the changes in the market environment, respond to market changes in a prudent and prompt manner by planning for different situations, and actively explore market development opportunities. The Group will also strengthen its innovation and R&D capabilities, enhance its core competitiveness, and create long-term shareholder value.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the year ended 31 December 2022. The Group's primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 31 December 2022, the borrowings of the Group totaled approximately NTD650.67 million (31 December 2021: approximately NTD635.36 million). As at 31 December 2022, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 57.68% (31 December 2021: approximately 57.71%).

### **Charges on Assets**

As at 31 December 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 NTD262.60 million (31 December 2021: approximately NTD267.11 million).

### **Events Occurring after the Reporting Period**

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

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

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

During the year 2022, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

### **Capital Commitments and Contingent Liabilities**

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

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

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

## **HUMAN RESOURCES**

As at 31 December 2022, the Group employed approximately 294 employees (2021: 257). All staff of the Group are full-time and contracted employees and reside in Taiwan and the PRC. Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## **OTHER INFORMATION**

### **Compliance with Code of Conduct for Directors' Securities Transactions**

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

Having made specific enquiry, all the Directors have confirmed their compliance with the Securities Code since the date of Listing up to 31 December 2022.

## Compliance with the Corporate Governance Code

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 15 to the GEM Listing Rules. 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 Ming-Hsiang is the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”). In view of Mr. Yang having assumed day-to-day responsibilities in operating and managing the Group since 2009 and the rapid development of the Group, the Board believes that with the support of Mr. Yang’s extensive experience and knowledge in the business of the Group, vesting the roles of both the Chairman and the CEO in Mr. Yang strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision making which is in the best interests of the Group.

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

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



## **Audit Committee and Review of Financial Statements**

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee considers that the audited consolidated financial statements have been prepared under the applicable accounting standards and the GEM Listing Rules.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company’s listed shares.

## **Scope of Work of the Company’s Auditor**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## **Annual General Meeting**

The annual general meeting (“**AGM**”) of the Company is scheduled to be held on Wednesday, 28 June 2023. The AGM notice will be issued and despatched in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

### **Entitlement to attend the AGM**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023, both days inclusive. In order to be eligible to attend and vote at the AGM, unregistered shareholders of the Company shall ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 June 2023.

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

According to the GEM Listing Rules, the 2022 Annual Report of the Company shall contain all information as required by the GEM Listing Rules and will be published on the Company's website at [www.genestech.com](http://www.genestech.com) and the GEM website at [www.hkgem.com](http://www.hkgem.com) in due course.

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

Taiwan, 22 March 2023

*As at the date of this announcement, the executive Directors are Mr. Yang Ming-Hsiang, Ms. Wei Hung-Li and Mr. Hsiao Hsi-Mao; and the independent non-executive Directors are Mr. Kam, Eddie Shing Cheuk, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at [www.genestech.com](http://www.genestech.com).*