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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 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 of Hong Kong Limited (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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the nine months ended 30 September 2023

		Three months ended		Nine months ended	
		30 September		30 September	
		2023	2022	2023	2022
	Note	NTD'000	NTD'000	NTD'000	NTD'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	4	358,337	552,189	1,107,848	1,148,806
Cost of sales	5	(304,775)	(444,138)	(844,677)	(845,931)
Gross profit		53,562	108,051	263,171	302,875
Other income		—	—	154	2
Other gains/(losses), net		14,353	(3,640)	7,049	4,945
Selling and distribution expenses	5	(15,635)	(17,316)	(43,933)	(43,960)
General and administrative expenses	5	(34,855)	(31,200)	(97,498)	(98,068)
		17,425	55,895	128,943	165,794
Finance income		29	16	568	98
Finance costs		(4,917)	(3,824)	(14,975)	(10,314)
Profit before income tax		12,537	52,087	114,536	155,578
Income tax expense	6	(5,627)	(13,300)	(31,037)	(43,358)
Profit for the period attributable to owners of the Company		6,910	38,787	83,499	112,220
Other comprehensive loss, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		(6,086)	(5,199)	(6,337)	(8,566)
Total comprehensive income for the period attributable to owners of the Company		824	33,588	77,162	103,654
Earnings per share					
Basic and diluted (<i>NTD cents</i>)	7	0.69	3.88	8.35	11.22

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	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 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 loss	-	-	-	-	(8,566)	-	(8,566)
Total comprehensive (loss)/ 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>
At 1 January 2023 (audited)	38,815	146,571	136,877	182,226	(16,375)	224,395	712,509
Profit for the period	-	-	-	-	-	83,499	83,499
Other comprehensive loss	-	-	-	-	(6,337)	-	(6,337)
Total comprehensive (loss)/ income for the period	-	-	-	-	(6,337)	83,499	77,162
Transfer to statutory reserve	-	-	13,896	-	-	(13,896)	-
At 30 September 2023 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>150,773</u>	<u>182,226</u>	<u>(22,712)</u>	<u>293,998</u>	<u>789,671</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATE 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 2023 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 2022, 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 2022.

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 2022, 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 2023. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

Annual Improvements Project HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Annual Improvements to HKFRSs 2018–2020 Narrow-scope amendments
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 2021
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

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	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of turnkey solution	234,872	324,417	608,238	558,144
Manufacturing and trading of used semiconductor manufacturing equipment and parts	123,465	227,772	499,610	590,662
Revenue recognised at a point in time	358,337	552,189	1,107,848	1,148,806

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	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Taiwan (place of domicile)	117,918	378,496	610,650	825,600
PRC	133,258	123,142	240,118	172,288
United States	78,693	13,651	188,447	39,880
Singapore	21,116	36,242	59,850	108,666
Japan	7,352	290	8,086	975
Germany	–	237	697	925
South Korea	–	–	–	225
Other countries	–	131	–	247
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenue recognised at a point in time	358,337	552,189	1,107,848	1,148,806
	<u> </u>	<u> </u>	<u> </u>	<u> </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	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customers				
A	87,455	214,067	439,273	370,780
B	75,125	N/A*	173,437	N/A*
C	22,068	60,524	116,353	167,736
	<u> </u>	<u> </u>	<u> </u>	<u> </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	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration				
— Audit services	2,713	2,668	8,020	7,621
Cost of materials used	240,472	364,938	647,716	640,482
Amortisation of intangible assets <i>(note (a))</i>	3,127	2,855	9,197	8,745
Depreciation of property, plant and equipment <i>(note (b))</i>	4,446	3,857	11,249	12,288
Depreciation of right-of-use assets	3,603	3,742	10,884	10,117
Research expense	164	135	499	864
Provision for warranty, net	7,630	10,376	15,882	16,186
Commission	5,559	5,776	13,497	15,235
Employee benefit expenses	59,125	66,443	188,889	192,561
Professional fees	3,702	2,914	7,260	11,078
Operating lease payments	1,154	1,044	3,426	3,133
Delivery charges	2,305	4,597	9,710	12,069
Travelling	5,850	6,965	14,494	15,075
Insurance	5,961	6,216	18,805	18,050
Entertainment	605	459	2,521	1,202
Utilities	1,742	1,517	3,810	3,294
Advertising	2,594	1,046	2,594	1,046
Others	4,513	7,106	17,655	18,913

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 NTD11,818,000 (30 September 2022: NTD11,121,000) and NTD10,315,000 (30 September 2022: NTD11,284,000), respectively, for the nine months ended 30 September 2023.

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 2022: 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 NTD83,499,000 (30 September 2022: approximately NTD112,220,000) and the weighted average of 1,000,000,000 shares (30 September 2022: 1,000,000,000 shares) in issue during the period.

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (<i>NTD'000</i>)	6,910	38,787	83,499	112,220
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (<i>NTD cents per share</i>)	0.69	3.88	8.35	11.22

(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 2023 (nine months ended 30 September 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2023, with the Ukrainian crisis in stalemate, the Sino-U.S technology war continues to heat up, and the fermentation of interest rate hikes in major economies have weakened the momentum of the global economic recovery. Although the interest rate hike cycle of major central banks has come to an end, the U.S. and European economies will still maintain high interest rates for a period of time, and China's economic recovery is not as strong as expected, making the global economic situation more volatile. The global semiconductor industry is facing a weak end market demand and continuous inventory adjustment, with the semiconductor market entering into a downward industry cycle. However, the recent solid performance of the U.S. economy, signs of improvement in China's production and consumption activities, and the accelerated transformation and development of industries through digital technology and innovation seem to have given the global economy a glimmer of hope.

According to the latest data published by the World Semiconductor Trade Statistics (WSTS), global semiconductor market sales totaled US\$124.5 billion in the second quarter of 2023, which was up 4.2% quarter-over-quarter and down 17.3% year-over-year. Europe was the only region with both quarterly and yearly growth, which grew by 1.8% and 7.6% respectively. China, Asia-Pacific region and the U.S. experienced double-digit sales decline in the second quarter as compared to the same period last year. WSTS estimates that there would be shrinking demand for logic chips due to rising inflation and weak demand in end markets such as smartphones and personal computers. As a result, the global semiconductor sales forecast for 2023 has been revised downward to US\$515.1 billion, which is down 10.3% year-on-year. The latest statistics from the U.S. Semiconductor Industry Association (SIA) shows that global semiconductor sales was total of US\$44 billion in August 2023, which was up 1.9% from the total of US\$43.2 billion in July 2023, but down 6.8% from the total in August 2022. SIA pointed out that global semiconductor sales reached US\$44 billion in August, which was up for six consecutive month, indicating a slow and steady recovery in market demand. Although being lower than the same period last year, the rate of such decline was already at a new low since October 2022.

According to the Industry, Science and Technology International Strategy Center* (工研院產科國際所) (IEK) in Taiwan, the current status of Taiwan's semiconductor industry is as follows. The total production value of the semiconductor industry in Taiwan reached NTD1,015.0 billion in the second quarter of 2023, representing an increase of 0.7% quarter-over-quarter, and a decrease of 18.0% year-over-year. Of which, the production value of Integrated Circuit design (IC design) industry reached NTD268.5 billion, representing an increase of 11.9% quarter-over-quarter and a decrease of 22.2% year-over-year, while the production value of foundry industry reached NTD564.7 billion, representing a decrease of 3.8% quarter-over-quarter and a decrease of 13.3% year-over-year. IEK expects the semiconductor industry to bottom out in the second half of the year. The production value of the semiconductor industry in Taiwan in 2023 will be NTD4.2 trillion, representing an annual decrease of 12.1%. In response to changes in the market environment, the Group will 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 2023, the total revenue of the Group amounted to approximately NTD1,107.85 million (Corresponding period in 2022: approximately NTD1,148.81 million). Total comprehensive income attributable to owners of the Company amounted to approximately NTD77.16 million (Corresponding period in 2022: approximately NTD103.65 million). Basic earnings per share were approximately NTD8.35 cents (Corresponding period in 2022: approximately NTD11.22 cents).

TURNKEY SOLUTIONS

During the period under review, turnkey solutions continued to be a major source of revenue for the Group. The used SME and parts supplied by the Group include furnaces and clean tracks which are used at the front-end of the semiconductor manufacturing process and wafer fabrication such as deposition, photoresist coating and development. The semiconductors produced by the customers using the SME of the Group were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products.

For the nine months ended 30 September 2023, the revenue from turnkey solutions of the Group amounted to approximately NTD608.24 million (Corresponding period in 2022: approximately NTD558.14 million), accounting for approximately 54.9% of the Group's total revenue (Corresponding period in 2022: approximately 48.58%).

* For identification purpose only

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD499.61 million (Corresponding period in 2022: approximately NTD590.66 million) from the trading of used SME and parts, accounting for approximately 45.1% of the total revenue of the Group (Corresponding period in 2022: approximately 51.42%).

FINANCIAL REVIEW

For the nine months ended 30 September 2023, the total revenue of the Group amounted to approximately NTD1,107.85 million (corresponding period in 2022: approximately NTD1,148.81 million). During the period under review, the Group recorded revenue from turnkey solutions and the trading of used semiconductor equipments and parts of approximately NTD608.24 million (corresponding period in 2022: approximately NTD558.14 million) and NTD499.61 million (corresponding period in 2022: approximately NTD590.66 million) respectively.

During the period under review, revenue from the domestic business in Taiwan accounted for approximately 55.12% of the Group's total revenue (Corresponding period in 2022: approximately 71.87%).

During the period under review, the gross profit of the Group amounted to approximately NTD263.17 million (Corresponding period in 2022: approximately NTD302.88 million), while the gross profit margin was approximately 23.76% (Corresponding period in 2022: approximately 26.36%).

For the nine months ended 30 September 2023, total comprehensive income attributable to owners of the Company amounted to approximately NTD77.16 million (Corresponding period in 2022: approximately NTD103.65 million), while basic earnings per share amounted to approximately NTD8.35 cents (Corresponding period in 2022: approximately NTD11.22 cents).

OUTLOOK

According to information from WSTS, the global semiconductor market grew by 4.2% year-over-year in the second quarter of 2023. This will be the first positive quarterly growth since the fourth quarter of 2021. The semiconductor market has been slowing down since the fourth quarter of 2021 after growing rapidly in 2020 due to the impact of the COVID-19 pandemic. The reason behind this is the weak economic growth caused by inflation and rising interest rates around the globe, causing the weak demand in consumer semiconductor end-markets such as personal computers and smartphones. For the third quarter of 2023, nine of the eleven semiconductor manufacturing giants that have issued forecasts expect sales to increase as compared with the last quarter, with a weighted average growth rate of 2%. Research institutes are forecasting a decline in the semiconductor market for the whole year of 2023, with Future Horizons predicting a 20% year-over-year decline and TechInsights predicting a 10% year-over-year decline. Semiconductor Intelligence predicts a 13% decline. There is broad consensus on the growth in 2024, with TechInsights predicting a 10% year-over-year increase, Semiconductor Intelligence predicting 11%, and WSTS predicting 11.8%. On the other hand, Gartner is optimistically predicting a growth of 18.5%.

According to the data published by International Data Corporation (IDC) in August, the global shipment of smartphones in 2023 are expected to decrease by 4.7% as compared to 2022, down to 1.15 billion units, hitting a new low in 10 years. Although it is expected to recover by 2024, due to the lengthening of the replacement cycle, suppressing the long-term growth rate, the average annual growth rate for the next five years will only be 1.7%, and the smartphone market may have fully matured. IDC predicts that the global shipment of personal computers will reach 252 million units in 2023, which is down 13.7% year-on-year, with annual shipments of consumer personal computers projected to decrease by 16.2%, education by 12%, and business by 11.7%; although shipment of personal computers is expected to resume growth in 2024 and is forecasted to be higher than the 259.6 million units shipped in 2018, the overall market is unlikely to return to pre-COVID-19 levels.

The global semiconductor industry is subject to supply and demand adjustments in 2022 due to general economic factors and a slowdown in some end-use demand. However, increasing demand for new applications such as High-performance Computing (HPC), 5G, artificial intelligence (AI), and automotive electronics will drive the semiconductor industry towards a new direction. Among which, the demand for automotive semiconductors will grow due to the increase in demand for smart vehicle applications such as electric vehicles and advanced driver assistance systems (ADAS). According to a Yole Group research report, the global automotive semiconductor market will rise from US\$44 billion in 2021 to US\$80.7 billion in 2027, with a compound annual growth rate (CAGR) reaching up to 11.1%, and the price of the chip built into each vehicle will rise from US\$550 in 2021 to US\$912 in 2027, and it is estimated that the chips used in each vehicle will reach 1,100 units in 2027.

In addition, under the influence of geopolitics, major semiconductor countries have launched strategies to support the localization of semiconductors, which have also affected the market and regional layout of semiconductor industry players, and proposed corresponding competitive strategies to face the new development trend. The Group is principally engaged in modifying and/or upgrading the semiconductor equipment of its production systems according to customers' needs and providing turnkey solutions to enable its customers to expand their semiconductor production capacity at a lower cost. The Group will pay close attention to the changes in the market environment, respond to market changes in a prudent and prompt manner to seize development opportunities, and actively explore new business opportunities. The Group will also intensify its efforts to identify talents, 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 for the nine months ended 30 September 2023. 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 2023, the borrowings of the Group totaled approximately NTD629.18 million (31 December 2022: approximately NTD650.67 million). As at 30 September 2023, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 63.48% (31 December 2022: approximately 57.68%).

CHARGE ON ASSETS

As at 30 September 2023, 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 NTD259.21 million (31 December 2022: approximately NTD262.60 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 NTD and United States Dollar ("US\$"). As at the date of this announcement, the board of Directors (the "**Board**") considers that foreign currencies (mainly the US\$) 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 2023, the Group did not have any significant capital commitment (31 December 2022: Nil). As at 30 September 2023, the Group did not have any significant contingent liability (31 December 2022: 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 30 September 2023, the Group employed approximately 266 employees. All our staff are full-time employees and reside in Taiwan and the People's Republic of China (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 also provided to the employees as well.

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: 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 2023, 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	37,975,000	3.80%
	Interest in persons acting in concert (<i>Note</i>)	664,075,000	66.41%
		<u>702,050,000</u>	<u>70.21%</u>
Ms. Wei Hung-Li (“Ms. Wei”)	Beneficial owner	29,125,000	2.91%
	Interest in persons acting in concert (<i>Note</i>)	672,925,000	67.30%
		<u>702,050,000</u>	<u>70.21%</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, Mr. Lin Yen-Po (former director) and Mr. Fan Chiang-Shen (former director), 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 2023, 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 2023, 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 ") <i>(Note 1)</i>	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited (" Ever Wealth ") <i>(Note 2)</i>	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited (" Planeta ") <i>(Note 3)</i>	Beneficial interest	63,750,000	6.38%

Name of substantial shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Tai-Yi Investment Co. Ltd. (“ Tai Yi ”) (Note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (Note 5)	590,750,000	59.08%
		<u>702,050,000</u>	<u>70.21%</u>
Mr. Fan Chiang-Shen (“ Mr. Fan ”) (Note 5)	Beneficial owner	2,925,000	0.30%
	Interest in persons acting in concert (Note 5)	699,125,000	69.91%
		<u>702,050,000</u>	<u>70.21%</u>
Mr. Lin Yen-Po (“ Mr. Lin ”) (Note 5)	Beneficial owner	1,200,000	0.12%
	Interest in persons acting in concert (Note 5)	700,850,000	70.09%
		<u>702,050,000</u>	<u>70.21%</u>

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the “**BVI**”). As at the date of this announcement, it was held by 30 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Lin (former director) and Mr. Fan (former director), 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 8.44%.
- (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%, Mr. Lin (former director) and Mr. Fan (former director), 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 the date of this announcement, it was held by 4 individual shareholders and none of them controlled Tai Yi. 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, Mr. Lin (former director) and Mr. Fan (former director), 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.

Save as disclosed above, as at 30 September 2023, 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, as of 30 September 2023 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 2023 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 2023, 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 2023.

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 2023 to 30 September 2023.

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 2023 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 2023, this 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 2023 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 2023 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 2023 to 30 September 2023, 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 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 Listed Company Announcements" page of the Stock Exchange website at www.hkexnews.hk 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.