THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Genes Tech Group Holdings Company Limited (the "**Company**"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF
THE TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AmCap
Ample Capital Limited
豐盛融資有限公司

A notice convening an extraordinary general meeting of Genes Tech Group Holdings Company Limited to be held at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong on Wednesday, 17 April 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.genestech.com). Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting, or any adjournment thereof, should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

25 March 2019

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.

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors
"Buyer"	Top Vitality Limited, a direct wholly-owned subsidiary of the Company incorporated in Anguilla with limited liability and mainly engages in investment holding activities
"Company"	Genes Teach Group Holdings Company Limited (靖洋集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the parent company of the Buyer
"Completion"	the completion of the sale and purchase of the Target Shares
"Completion Date"	a date after satisfaction, or to the extent permissible, waiver by the party or parties entitled to the benefit of the conditions set forth in the SPA as agreed by the Sellers and the Buyer, and in any event not later than 31 May 2019
"Directors"	the director(s) of the Company
"Double Solutions"	Double Solutions Limited, a company with limited liability incorporated in the Republic of Seychelles on 22 April 2016
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, if thought fit, the SPA and the transactions contemplated thereunder
"Enlarged Group"	the Company and its subsidiaries upon Completion, which would include the Target Company
"Escrow Account"	the bank account of the Target Company designated by both the Buyer and the Sellers to deposit the Escrow Money
"Escrow Money"	NTD30 million (equivalent to approximately HK$7.5 million), being 10% of the Purchase Price
"Ever Wealth"	Ever Wealth Holdings Limited, a company with limited liability incorporated in the Republic of Seychelles on 19 June 2013
"GEM"	GEM of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	19 March 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"NTD"	New Taiwan Dollars, the lawful currency of Taiwan
"Planeta"	Planeta Investments Limited, a company with limited liability incorporated in Anguilla on 18 June 2013
"Proposed Acquisition"	the acquisition of the Target Shares by the Buyer from the Sellers on terms and conditions of the SPA
"Prospectus"	the prospectus dated 30 June 2017 issued by the Company in relation to a share offer
"Purchase Price"	the aggregate of NTD300 million (equivalent to approximately HK$75 million), being the consideration for the Target Shares
"PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this circular, references in this circular to the PRC do not include Taiwan, Hong Kong or the Macau Special Administrative Region of the PRC
"Queenbest"	Queenbest Development Limited (佳建發展有限公司), a company with limited liability incorporated in the British Virgin Islands on 25 September 2009
"Sellers"	40 individuals and Xingning, which are the legal and beneficial owners of the Target Shares
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share Registrar"	the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

"Shareholder(s)"	shareholder(s) of the Company
"Shares"	shares of HK$0.01 each in the Company
"SME"	semiconductor manufacturing equipment
"SPA"	the share purchase agreement dated 12 December 2018 entered into between the Buyer and the Sellers, pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Target Shares for the Purchase Price, subject to the terms and conditions set forth therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tai Yi"	Tai-Yi Investment Co. Ltd (台儀投資事業有限公司) (formerly known as 可揚投資有限公司), a company with limited liability incorporated in Taiwan on 5 September 2007
"Target Company"	Astro Thermal Technology Corporation (崇濬科技股份有限公司), a company incorporated in Taiwan with limited liability
"Target Shares"	1,500,000 shares, being 100% of the issued shares of the Target Company
"USD"	United States dollars, the lawful currency of the United States of America
"Xingning"	Xingning Company Limited* (興寧有限公司), a company incorporated in Taiwan and is principally engaged in the business of investment holding
"%"	per cent

For the purpose of illustration only and unless otherwise specified in this circular, the translation of NTD into HK$ has been made at the rate of NTD4.00 to HK$1.00. No representation is made that the NTD amounts could have been, or could be, converted into HK$ of such rate or any other rate.

* *For identification purpose*

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)

Executive Directors:
Mr. Yang Ming-Hsiang *(Chairman)*
Mr. Fan Chiang-Shen
Ms. Wei Hung-Li
Mr. Lin Yen-Po

Independent Non-executive Directors:
Mr. Kam Leung Ming
Mr. Cheng Chun Shing
Mr. Ho Pak Chuen Brian

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Place of business in Hong Kong
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

25 March 2019

To the Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 17 December 2018 and 15 February 2019 in relation to the Proposed Acquisition. The purpose of this circular is to provide you with, among other things, (i) further details on the SPA; (ii) the financial information of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) the notice of the EGM.

PRINCIPAL TERMS OF THE SPA

The major terms of the SPA are as follows:

Date: 12 December 2018 (after trading hours)

Parties:

(1) the Buyer; and

(2) the Sellers, which comprise of 40 individuals and Xingning. Each of the largest shareholder and the second largest shareholder of the Target Company are individuals who holds approximately 19.5% and 18.0%, respectively, interests in the Target Company. The other shareholders hold interests ranging from approximately 0.17% to 8.75% in the Target Company.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and the ultimate beneficial owners of Xingning are third parties independent of the Company and the connected persons of the Company.

Subject matter: 1,500,000 shares, being 100% of the issued shares of the Target Company.

Consideration: The aggregate purchase price for the Target Shares is NTD300 million (equivalent to approximately HK$75 million), which will be satisfied in cash, of which NTD60 million is expected to be funded by internal resources of the Group and NTD240 million borrowing(s) from banks and financial institutions. The Company has been in negotiation with an independent bank in Taiwan to obtain borrowings in the principal amount of NTD240 million and is expected to enter into a loan agreement with the bank on or before end of April 2019.

Such consideration was determined on an arm's length basis negotiation with reference to a valuation of the Target Company as at 30 June 2018 of approximately NTD304 million (equivalent to approximately HK$76 million). Guideline Public Company Method under market approach is adopted in the valuation with no profit forecast implication.

Payment terms: On or before the Completion Date, the Buyer shall pay the USD equivalent amount of the Purchase Price to a designated bank account of the Target Company. The largest shareholder of the Target Company is appointed by the other shareholders to be his/her/its agent to deal with the currency settlement of the Purchase Price. On the Completion Date, the agent shall transfer the Purchase Price proportionate to his/her/its shareholding in the Target Company to each shareholder, after deducting all the relevant expenses and taxes, and provide to the Buyer copies of the documents evidencing the currency settlement, the transfer and payments of all expenses and taxes.

Conditions precedent: Completion is conditional upon the satisfaction or waiver by the party entitled to the benefit of, among others, the following conditions:

(a) each warranty and representation of the Sellers set out in the SPA shall remain true and correct prior to the Completion Date;

(b) the respective approvals from the boards of the Company and the Buyer in respect of the SPA have been validly and legally obtained and such approvals have not been revoked, varied, amended or supplemented;

(c) the approval from the Stock Exchange in respect of the circular proposed to be despatched by the Company regarding the Proposed Acquisition has been obtained and such approval has not been revoked, varied, amended or supplemented;

(d) the Shareholders and the shareholders of Buyer have passed a resolution at the relevant general meetings approving the Proposed Acquisition and such approvals have not been revoked, varied, amended or supplemented;

(e) the approval from the Investment Commission, Ministry of Economic Affairs of Taiwan in respect of the Proposed Acquisition has been obtained by the Buyer and such approval has not been revoked, varied, amended or supplemented;

(f) all necessary approvals, authorisations, consents and waivers (as the case may be) required to be obtained by the Buyer and the Sellers from third parties, government and regulatory authorities in respect of the Proposed Acquisition have been obtained and such approvals, authorisations, consents and waivers have not been revoked, varied, amended or supplemented; and

(g) each of the key employees of the Target Company (as designated in the SPA) has signed a commitment letter promising not to resign from the Target Company within two years from the Completion Date.

The Directors confirm that the conditions set out in paragraphs (b), (c), (d), (e) above cannot be waived by any party. The Buyer can waive the conditions set out in paragraphs (a), (f) and (g), and the Sellers can waive the condition set out in paragraph (f).

The Directors further confirmed that as at the Latest Practicable Date, the conditions set out in paragraphs (a), (c), (e) and (g) set forth above had been fulfilled, and the Company was not aware of any matter which would render the remaining conditions being unable to be fulfilled. The Company has no intention to waive any condition.

Completion: Completion will take place on a date to be agreed by the Sellers and the Buyer after the satisfaction or wavier of the conditions precedent set out in the SPA, which in any event shall not be later than 31 May 2019.

Termination: The SPA may be terminated:

(a) by mutual written agreement of the Sellers and the Buyer;

(b) by either the Sellers or the Buyer if the Completion shall not have been consummated on or before 31 May 2019 after the satisfaction or waiver of all conditions precedent. If the Completion shall not have been consummated due to reasons attributable to one of the parties, such party shall not be entitled to terminate the SPA; or

(c) in the event of any breach of obligations to be performed at the Completion by a party, by the other party (the "**Non-Defaulting Party**") where such breach is material and has not been rectified within 5 days from the written notice of the Non-Defaulting Party.

If the SPA is terminated in accordance with paragraph (b) or (c) above, the party in breach shall be liable to the other party for costs and expenses (including but not limited to legal fees, financial advisor fees and fees of other professional advisors) incurred directly in connection with the negotiation, preparation, execution and performance of the SPA, provided that the maximum liability shall not exceed 1% of the Purchase Price i.e. NTD3 million (equivalent to approximately HK$0.75 million).

Escrow account: Upon receipt of the Purchase Price, the Sellers shall deposit (or instruct their agent to deposit) the Escrow Money into the Escrow Account to guarantee the payment of any loss and damages incurred by the Buyer in relation to any breach of warranties and representations of the Sellers under the SPA.

Each of the Sellers shall contribute to the Escrow Money proportionate to his/her/its shareholding in the Target Company. The Escrow Money shall be maintained in the Escrow Account for 6 months after the Completion Date.

The Directors confirmed that the aforesaid six-month escrow period is determined by the Sellers and the Buyer after arm's length negotiation, and the Directors are of the view that a period of six months after Completion is reasonable to discover any breach of the warranties and representations of the Sellers. The Buyer shall, after deducting such amount of loss and damages incurred by the Buyer, transfer the balance of the Escrow Money (with interest, if any) to the respective Sellers in such proportion specified in the SPA on the first business day on which banks are open for business in Taiwan immediately following the expiry of the escrow period. The Escrow Money shall be maintained in the Escrow Account solely for the purpose of guaranteeing the performance of the obligations of the Sellers and shall not be used by the Buyer for any other purpose including but not limited to the working capital of the Target Company.

The Directors are of the view that the terms of the SPA and the Proposed Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in providing turnkey solution of used SME and parts.

INFORMATION OF THE TARGET COMPANY

Background

The Target Company was incorporated in Taiwan with limited liability on 27 July 2009 and is owned by the Sellers. The principal business of the Target Company is manufacture and sale of heating jackets.

Business and operation

At present, the heating jackets manufactured by the Target Company are mainly used in the SME, and its customers are mainly manufacturers of semiconductor product located in regions including Taiwan, the PRC and Singapore.

The Target Company has its own research and development capability. As at the Latest Practicable Date, it has a research and development team who are qualified engineers. With its research and development capacity, the Target Company is able to tailor-make its products to fit the requirements of the SME and its customers. As at the Latest Practicable Date, the Target Company registered six patents in Taiwan and four patents in the PRC, which are relevant to its products.

Future plan and management

The current intention is that the business, operation and management of the Target Company will remain unchanged after the Completion. Pursuant to the SPA, certain key employees of the Target Company, namely, the general manager, the deputy general manager, each of the assistant manager of the engineering department, materials department and the production department, will, before Completion, sign a commitment letter promising not to resign from the Target Company within two years from the Completion Date.

Financial information

Based on the financial information of the Target Company for the two years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018 as set out in Appendix II to this circular, certain key financial data of Target Company as extracted from Appendix II of this circular are set out below:

	For the year ended 31 December				**For the nine months ended 30 September 2018**	
	2016		**2017**			
	NTD'000	*HK$'000*	*NTD'000*	*HK$'000*	*NTD'000*	*HK$'000* (unaudited)
Revenue	111,390	27,848	233,779	58,445	154,546	38,637
Profit before tax	50,241	12,560	99,749	24,937	57,318	14,330
Profit after tax	38,044	9,511	81,878	20,470	46,432	11,608

The unaudited net asset value of the Target Company as at 30 September 2018 was approximately NTD142 million (equivalent to approximately HK$36 million).

Please refer to Appendices II and III for further information of the Target Company.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Directors believe that the Proposed Acquisition is expected to bring the following benefits to the Group:

Diversify the Group's business and product types

The Target Company is principally engaged in the manufacture and sale of heating jackets. Heating jackets are the consumable parts and components installed in various types of equipment for purpose of temperature management of the pipes, tubes, tanks and cylinders, etc. in the equipment to maintain a preferred temperature by avoiding cooling down or overheat. At present, the heating jackets manufactured by the Target Company are mainly used in SME, and its customers are mainly manufacturers of semiconductor products. The Group is principally engaged in the provision of turnkey solution of used SME and parts, and it is in the same industry as that of the Target Company. The Proposed Acquisition would allow the Group to tap into other segment of the industry with which the Group is familiar and the Directors have years of experiences. Since the Target Company offers products different from the Group's, this would help to diversify the Group's business and product types. In turn, the diversification would enhance the Group's financial position and minimise its exposure to market changes.

Enhance the relationship with customers

Given the Target Company and the Group are in the same industry targeting at the same group of customers, namely manufacturers of semiconductor products, through the Proposed Acquisition, the Group is able to offer a broader portfolio products to the same group of customers, and therefore increase the interactions, transactions and communications with the Group's existing customers resulting in a closer bonding with them. In addition, the Group is in a better position to understand the needs and development of its existing customers which in turn allows the Group to respond promptly and capture any potential business opportunity from its customers. By the Proposed Acquisition, the Group is also able to promote its service of turnkey solution of used SME and parts to the customers of the Target Company.

Synergies generated between the Target Company and the Group

The Target Company and the Group are operated in the same industry, i.e. SME industry. The Proposed Acquisition is expected to generate synergies between the two business segments respectively conducted by the Target Company and the Group, for instance, the Group may at the same time promote the products and services of the Target Company and the Group to a customer, and has access to market data obtained from customers of the Target Company.

The Board is of the view that the Proposed Acquisition would help to diversify the Group's business, expand its customer base and enhance its market position in the SME industry.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

STRATEGIES FOR THE TARGET COMPANY

The Group's strategy is to maintain the *status quo* of the Target Company in the near future to leverage on the platform provided by the Target Company to enhance its market position, reach out for potential new customers and at the same time diversify into other segments of the SME industry in which the Group currently operates, targeting at bringing more financial benefit to the Group taken as a whole.

As at the Latest Practicable Date, the Directors do not have any plan, arrangement, understanding, intention or negotiation underway regarding any potential transaction which will involve disposal, downsizing or termination of the existing businesses and/or major operating assets of the Group.

Key management members and employees will be retained after the Completion. For details, please refer to "Information about the Target Company — future plan and management" above.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

The unaudited pro forma financial information of the Enlarged Group illustrating the financial effects of the Proposed Acquisition on the assets, liabilities and earnings of the Group is set out in Appendix IV to this circular.

Assets

The unaudited consolidated total assets of the Group as at 30 June 2018 amounted to approximately NTD1,785 million (equivalent to approximately HK$446 million). Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2018, the total assets of the Enlarged Group would have been increased to approximately NTD2,117 million (equivalent to approximately HK$529 million).

Liabilities

The unaudited consolidated total liabilities of the Group as at 30 June 2018 amounted to approximately NTD1,281 million (equivalent to approximately HK$320 million). Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2018, the total liabilities of the Enlarged Group would have been increased to approximately NTD1,635 million (equivalent to approximately HK$409 million).

Earnings

For the year ended 31 December 2017, the audited consolidated net profit of the Group amounted to approximately NTD37 million (equivalent to approximately HK$9 million). According to the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group as set out in the Appendix IV to this circular, immediately after the Completion, the financial results of the Target Company will be consolidated with those of the Group, and the unaudited pro forma consolidated net profit of the Enlarged Group would have been increased to approximately NTD88 million (equivalent to approximately HK$22 million).

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios in respect of the Proposed Acquisition exceeds 100%, the entering into of the SPA and the transactions contemplated thereunder constitute a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

BOOK CLOSURE PERIOD FOR DETERMINING ENTITLEMENT TO ATTEND AND VOTE AT THE EGM

For determining the eligibility of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 12 April 2019 to Wednesday, 17 April 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM, all transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m on Thursday, 11 April 2019.

EGM

Resolutions will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve, among other things, the SPA and Proposed Acquisition.

The notice convening the EGM has been set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instruction printed thereon and return it to the Share Registrar as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

No Shareholder is required to abstain from voting on the ordinary resolutions to approve the SPA and the Proposed Acquisition at the EGM.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RECOMMENDATION

The Directors consider that the terms of the SPA are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of all resolutions as set out in the EGM notice.

GENERAL

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By the order of the Board
Genes Tech Group Holdings Company Limited
Yang Ming-Hsiang
Chairman and Executive Director

1. FINANCIAL SUMMARY

The published audited consolidated financial statements of the Group for the two years ended 31 December 2015 and 2016 are disclosed in the Prospectus. The published audited consolidated financial statement of the Group for the ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017. The unaudited consolidated financial information of the Group for the three months ended 31 March 2018, six months ended 30 June 2018 and nine months ended 30 September 2018 are disclosed in the first quarterly report for the three months ended 31 March 2018, the interim report for the six months 30 June 2018 and the third quarterly report for the nine months ended 30 September 2018 respectively.

The said Prospectus, annual report, interim report and the quarterly reports of the Company are available on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.genestech.com).

Please refer to the hyperlinks as stated below:

the Prospectus

http://www3.hkexnews.hk/listedco/listconews/GEM/2017/0630/GLN20170630009.pdf

2017 annual report

http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0328/GLN20180328221.pdf

2018 first quarterly report

http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0515/GLN20180515216.pdf

2018 interim report

http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0813/GLN20180813337.pdf

2018 third quarterly report

http://www3.hkexnews.hk/listedco/listconews/GEM/2018/1113/GLN20181113297.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 January 2019, being the latest practicable date prior to the printing of this circular and for the purpose of ascertaining the information contained in this statement of indebtedness, the indebtedness of the Enlarged Group was as follows:

	Secured		**Unsecured**		
	Guaranteed	**Non-guaranteed**	**Guaranteed**	**Non-guaranteed**	**Total**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank borrowings	—	282,639	—	191,429	474,068

Bank borrowings

As at 31 January 2019, the Enlarged Group had total available banking facilities of approximately NTD646 million, of which approximately NTD474 million was utilised and approximately NTD172 million were unrestricted and available to be drawn down.

As at 31 January 2019, the Enlarged Group's bank borrowings of NTD283 million are secured by land and building. The interest rate of these bank borrowings ranged from 1.8% to 1.9% per annum.

Save as aforesaid or as otherwise mentioned herein, the Enlarged Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 January 2019, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Enlarged Group since 31 January 2019, the date to which the indebtedness statement is made and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing banking facilities available, the existing cash and bank balances, the effect of the Proposed Acquisition and subject to grant of a proposed new loan facility amounting to NTD240 million, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, after taking into account the decline in (i) revenue; and (ii) profit before tax, both for the three months ended 31 March 2018 (details of which are set out in the Company's profit warning announcement dated 14 May 2018 and the Company's first quarterly report 2018), the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group was made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

According to the annual report of the Company for the year ended 31 December 2017, the Group recorded revenue of approximately NTD1,238 million (equivalent to approximately HK$310 million) and gross profit of approximately NTD237 million (equivalent to approximately HK$60 million). Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming Completion had taken place on 31 December 2017, the unaudited pro forma revenue and gross profit of the Enlarged Group will be approximately NTD1,472 million (equivalent to approximately HK$368 million) and NTD355 million (equivalent to approximately HK$89 million) respectively.

As mentioned in "Reasons for and benefits of the Proposed Acquisition" in the Letter from the Board in this circular, the Directors believe that the Proposed Acquisition would (i) diversify the Group's business and product types; (ii) enhance the relationship with customers and (iii) generate synergies between the Target Company and the Group. In addition, given (a) the business of the Target Company and that of the Group are in the same industry; and (b) certain key employees will commit not to resign from the Target Company within two years from the Completion Date, the integration risks of the Enlarged Group are expected to be minimal. The current intention is that the business, operation and management of the Target Company would remain unchanged after Completion.

Based on the above, the Directors (including the independent non-executive Directors) believe that the business of the Target Company is consistent with the principal business of the Group and the Proposed Acquisition will diversify and strengthen the Group's business, and consider that Proposed Acquisition is in the interests of the Company and Shareholders as a whole.

The following is the text of a report received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GENES TECH GROUP HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information of Astro Thermal Technology Corporation (the ''Target'') set out on pages II-4 to II-34, which comprises the statements of financial position as at 31 December 2015, 2016 and 2017 and 30 September 2018 and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the ''Track Record Period'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-34 forms an integral part of this report, which has been prepared for inclusion in the circular of Genes Tech Group Holdings Company Limited (the ''Company'') dated 25 March 2019 (the ''Circular'') in connection with the proposed acquisition of the entire issued share capital of the Target by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target for the Track Record Period (''Underlying Financial Statements''), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the historical financial statements of the Target for the Track Record Period. The directors of the Target are responsible for the preparation of the Target's historical financial statements that gives a true and fair view in accordance with Enterprise Accounting Standard issued by the Accounting Research and Development Foundation, and for such internal control as the directors determine is necessary to enable the preparation of the Target's financial statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2015, 2016 and 2017 and 30 September 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target which comprises the statements of comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2017 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hogn Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 March 2019

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in New Taiwan dollar ("NTD") and all values are rounded to the nearest thousand (NTD'000) except where otherwise indicated.

Statements of Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
		2015	2016	2017	2017	2018
	Note	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
					(Unaudited)	
Revenue	*5*	199,125	111,390	233,779	183,997	154,546
Cost of sales	*7*	(92,086)	(47,817)	(115,806)	(93,429)	(80,683)
Gross profit		107,039	63,573	117,973	90,568	73,863
Other income		—	—	2	—	7
Other gains/(losses), net	*6*	813	443	(958)	(818)	(1,690)
General and administrative expenses	*7*	(15,448)	(14,180)	(17,688)	(12,247)	(14,936)
Operating profit		92,404	49,836	99,329	77,503	57,244
Finance income	*9*	177	405	420	266	74
Profit before income tax		92,581	50,241	99,749	77,769	57,318
Income tax expense	*10*	(17,486)	(12,197)	(17,871)	(14,131)	(10,886)
Profit and total comprehensive income for the year/period		75,095	38,044	81,878	63,638	46,432

Statements of Financial Position

		As at 31 December			As at 30 September
		2015	2016	2017	2018
	Note	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
ASSETS					
Non-current assets					
Plant and equipment	*12*	2,166	1,686	2,636	2,822
Intangible assets	*13*	274	185	499	307
Non-current deposits	*14*	10	10	47	47
Deferred income tax assets	*16*	—	3,383	3,275	4,228
		2,450	5,264	6,457	7,404
Current assets					
Inventories	*17*	17,407	79,570	105,188	111,586
Trade receivables	*15*	37,141	52,411	30,232	51,293
Deposits, prepayment and other receivables	*14*	228	858	592	925
Short-term bank deposit	*18*	19,960	29,940	29,940	—
Cash and cash equivalents	*18*	111,870	69,250	124,858	66,816
		186,606	232,029	290,810	230,620
Total assets		189,056	237,293	297,267	238,024
EQUITY					
Share capital	*19*	15,000	15,000	15,000	15,000
Statutory reserve	*19*	9,004	16,513	21,969	30,104
Retained earnings		126,157	126,692	163,114	96,411
Total equity		150,161	158,205	200,083	141,515
LIABILITIES					
Current liabilities					
Trade payables	*20*	9,197	29,727	20,550	17,843
Other payables, accrued liabilities and receipts in advance	*21*	16,695	41,618	64,790	12,903
Contract liabilities	*21*	—	—	—	62,356
Current income tax liabilities		13,003	7,743	11,844	3,407
		38,895	79,088	97,184	96,509
Total liabilities		38,895	79,088	97,184	96,509
Total equity and liabilities		189,056	237,293	297,267	238,024

Statements of Changes in Equity

	Share capital	Statutory reserve	Retained earnings	Total equity
	NTD'000	*NTD'000* *(Note 19)*	*NTD'000*	*NTD'000*
Balance as at 1 January 2015	15,000	4,752	75,295	95,047
Comprehensive income				
Profit for the year	—	—	75,095	75,095
Total comprehensive income	—	—	75,095	75,095
Transactions with owners				
Transfer to statutory reserve	—	4,252	(4,252)	—
Dividends paid *(Note 11)*	—	—	(19,981)	(19,981)
	—	4,252	(24,233)	(19,981)
Balance as at 31 December 2015 and 1 January 2016	15,000	9,004	126,157	150,161
Comprehensive income				
Profit for the year	—	—	38,044	38,044
Total comprehensive income	—	—	38,044	38,044
Transactions with owners				
Transfer to statutory reserve	—	7,509	(7,509)	—
Dividends paid *(Note 11)*	—	—	(30,000)	(30,000)
	—	7,509	(37,509)	(30,000)
Balance as at 31 December 2016 and 1 January 2017	15,000	16,513	126,692	158,205
Comprehensive income				
Profit for the year	—	—	81,878	81,878
Total comprehensive income	—	—	81,878	81,878
Transactions with owners				
Transfer to statutory reserve	—	5,456	(5,456)	—
Dividends paid *(Note 11)*	—	—	(40,000)	(40,000)
	—	5,456	(45,456)	(40,000)
Balance as at 31 December 2017	15,000	21,969	163,114	200,083

	Share capital *NTD'000*	Statutory reserve *NTD'000* *(Note 19)*	Retained earnings *NTD'000*	Total equity *NTD'000*
Balance as at 1 January 2018	15,000	21,969	163,114	200,083
Comprehensive income				
Profit for the period	—	—	46,432	46,432
Total comprehensive income	—	—	46,432	46,432
Transactions with owners				
Transfer to statutory reserve	—	8,135	(8,135)	—
Dividends paid *(Note 11)*	—	—	(105,000)	(105,000)
	—	8,135	(113,135)	(105,000)
Balance as at 30 September 2018	15,000	30,104	96,411	141,515
(Unaudited) **Balance as at 1 January 2017**	15,000	16,513	126,692	158,205
Comprehensive income				
Profit for the period	—	—	63,638	63,638
Total comprehensive income	—	—	63,638	63,638
Transactions with owners				
Transfer to statutory reserve	—	5,456	(5,456)	—
Dividends paid *(Note 11)*	—	—	(40,000)	(40,000)
	—	5,456	(45,456)	(40,000)
Balance as at 30 September 2017	15,000	21,969	144,874	181,843

Statements of Cash Flows

		Year ended 31 December			Nine months ended 30 September	
		2015	2016	2017	2017	2018
	Note	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash generated from operations	*23*	92,687	17,381	111,073	94,638	38,327
Income taxes paid		(11,921)	(20,840)	(13,662)	(13,656)	(20,276)
Net cash flows inflows/ (outflows) from operating activities		80,766	(3,459)	97,411	80,982	18,051
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of plant and equipment	*12*	(468)	(102)	(1,708)	(1,708)	(1,122)
Purchase of intangible assets	*13*	—	—	(500)	(500)	—
(Increase)/decrease in short-term bank deposit		(19,960)	(9,980)	—	—	29,940
Purchase of financial assets at fair value through profit and loss		—	(100,000)	—	—	—
Proceeds from disposal of financial assets at fair value through profit and loss		—	100,531	—	—	—
Interest received		165	390	405	281	89
Net cash (outflows)/inflows from investing activities		(20,263)	(9,161)	(1,803)	(1,927)	28,907
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid	*11*	(19,981)	(30,000)	(40,000)	(40,000)	(105,000)
Net cash outflows from financing activities		(19,981)	(30,000)	(40,000)	(40,000)	(105,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		40,522	(42,620)	55,608	39,055	(58,042)
Cash and cash equivalents at beginning of year/period		71,348	111,870	69,250	69,250	124,858
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*18*	111,870	69,250	124,858	108,305	66,816

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Astro Thermal Technology Corporation (the ''Target'') was incorporated in the Republic of China on 27 July 2009 as an exempted company with limited liability. The address of the Target's registered office is 1F., No.1–2, Zhongzhouzai, Zaoqiao Township, Miaoli County 361, Taiwan.

The Target is engaged in the manufacturing of heating jacket and thermal control systems mainly used in semiconductor manufacturing process in the Republic of China (the ''ROC'').

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, except that the Target has adopted HKFRS 9 ''Financial Instrument'' and HKFRS 15 ''Revenue from Contracts with Customers'' starting from 1 January 2018. These accounting policies are materially consistent with the those of Genes Tech Group Holdings Company Limited.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). The Historical Financial Information have been prepared under the historical cost convention.

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments to existing standards which are not yet effective during the Track Record Period and have not been early adopted by the Target:

		Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019 *Note (i)*
HKFRS 16	Leases	1 January 2019 *Note (ii)*
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 3 (Amendments)	Definition of a business	1 January 2020

Notes:

(i) HKFRS 9 (Amendment) ''Prepayment features with negative compensation'' clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met instead of at fair value through profit or loss. Management of the Target considered that this change will not have any impact on the Target as the Target does not have any prepayable financial assets in the Track Record Period.

(ii) HKFRS 16 "Leases" provides new provisions for the accounting treatment of leases which does not require lessees to classify their leases as either finance leases or operating leases and account for those two types of leases differently. HKFRS 16 will no longer allow lessees to account for certain leases outside balance sheet. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The Target are lessees of factory and office which are currently classified as operating leases. The Target's current accounting policy for such leases is set out in Note 2.15. The Target's current accounting for such leases is to record the rental expenses in the Target's statements of comprehensive income in the year/period they are incurred with the related operating lease commitments being separately disclosed.

The adoption of HKFRS 16 will result in increase in right-of-use assets and increase in lease liabilities in the Target's statement of financial position. In the Target's statement of comprehensive income, the operating lease rental expense will decrease, while depreciation of right of use of assets and interest expense arising from the lease liabilities will increase.

As at 30 September 2018, the Target has non-cancellable operating lease commitments of NTD203,000 (Note 24). As the amount represent less than 1% of the Target's total assets or liabilities as at 30 September 2018, the Directors consider there is no significant impact to the financial position and performance to the Target upon adoption of HKFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. The Target does not intend to adopt the standard before its effective date. The Target intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The directors of the Target are in the process of assessing the financial impact of the adoption of the new standards and amendments to existing standards that are not yet effective. Based on the assessment performed so far, the directors of the Target expect that there are no other standards or amendments to existing standards would have a material impact on the Target's results and financial position.

2.2 Change in accounting policies

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Target's financial statements, from 1 January 2018 onwards. As a result of the changes in accounting policies, opening balance sheet on 1 January 2018 had to be restated.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 2.7 below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Target's management has assessed which business models apply to the financial assets held by the Target and has classified its financial instruments into the appropriate HKFRS 9 categories. The Target had trade receivables, deposits, other receivables and bank balance which were classified as loans and receivables measured at amortised cost under HKAS 39. The change in accounting policy has no significant impact on its classification and measurement.

(ii) Impairment of financial assets

The Target's financial assets are subject to the new expected credit loss model.

Bank balance, other receivables and deposits are subject to the impairment requirements of HKFRS 9 using general approach, the identified impairment loss was immaterial.

For trade receivables, the Target applies the simplified approach to measure expected credit losses prescribed by HKFRS 9, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past due. The adoption of the simplified approach under HKFRS 9 has not resulted in any significant additional impairment loss for trade receivables as at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

The Target has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provision in HKFRS 15, opening balance sheet on 1 January 2018 has restated as a result of changes in accounting policies.

The impact on the Target's balance sheet by the application of HKFRS 15 is as follow:

- Contract liabilities for receipt in advance from customers were previously presented as "other payables, accrued liabilities and receipts in advance"

	As at 31 December 2017	**Reclassification**	**As at 1 January 2018**
	NTD'000	*NTD'000*	*NTD'000*
Statements of financial position (extract)			
Other payables, accrued liabilities and receipts in advance	64,790	(45,214)	19,576
Contract liabilities	—	45,214	45,214

Under HKFRS 15, revenue is recognised at a point in time when the products are accepted by the customers whereby the performance obligation has been fulfilled. Whereas under the previously accounting standard of HKAS 18, revenue is recognised when significant risk and reward is transferred to the customer. There is no significant difference in the timing of revenue recognition for the Target under these standards. Refer to note 2.18 for detailed accounting policy of the Target in relation to revenue recognition.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of the Target are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in NTD which is the Target's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.4 Plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machineries	5 years
Leasehold improvements	Shorter of remaining lease term or 8 years
Furniture and fixture	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

2.5 Intangible assets

Computer software

Computer software are amortised over their estimated useful lives of 3 years.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

2.7.1 Classification

The Target classifies its financial assets as those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in statement of comprehensive income.

The Target reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target has transferred substantially all the risks and rewards of ownership.

2.7.3 Measurement

At initial recognition, the Target measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Target's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses.

2.7.4 Impairment

The Target assesses on a forward looking basis the expected credit losses associated with its financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Target applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

By 31 December 2017, a financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target or the counterparty.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are amounts due from customers for products sold in the ordinary course of business. They are generally due for settlement within 60 to 120 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Target holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Target's impairment policies and the calculation of the loss allowance are provided in Note 3.1(a).

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Cash and cash equivalents

In the cash flows statements, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturity of less than 3 months.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period date in the countries where the Target operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Target has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Leases (as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.17 Employee benefits

(a) Pension obligation

In accordance with the rules and regulations in the Republic of China, the Target has arranged for its employees to join a defined contribution retirement benefit plan organised by the government of the Republic of China. The government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under this plan. The assets of this plan are held separately from those of the Target in an independent fund managed by the government. Contributions are made based on certain percentage of the employees' compensation.

The Target has no further payment obligations once the contributions have been paid. The Target's contributions to these plans are charged to profit or loss as incurred.

(b) Other Employee Benefits

In addition to pension obligation, all employees of the Target participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administrated by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Target are calculated based on certain percentages of the total salaries of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities. The Target has no further payment obligations once the contributions have been paid. The Target's contributions to these plans are charged to profit or loss as incurred.

(c) Bonus Plans

Provisions for bonus plans are recognised when the Target has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Target's activities. Revenue is shown net of returns, discounts and value added taxes ("VAT").

(i) Sale of goods

The Target manufactures and sells heating jackets and thermal control systems mainly used in semiconductor manufacturing process. From 1 January 2018 onwards, revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the use of the assets, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location. The control of the products have been transferred to the customers when either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Target has objective evidence that all criteria for acceptance have been satisfied.

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 and performance obligation is fulfilled.

By 31 December 2017, revenue is recognised upon the customer's acceptance of the products, at which the Target has transferred the significant risks and rewards of the ownership of the goods. The Target retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2.19 Dividend distribution

Dividend distribution to the Target's shareholders is recognised as a liability in the Target's financial statements in the period in which the dividends are approved by the Target's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target's activities expose it to a variety of financial risks: credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Target's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target's financial performance. The Target does not use financial derivative to hedge its financial risk exposures.

Management regularly manages the financial risks of the Target. Because of the simplicity of the financial structure and the current operations of the Target, no hedging activities are undertaken by management.

(a) Credit risk

Risk management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to customers and other activities undertaken by the Target. Credit risk mainly arises from bank balances, trade receivables, other receivables and deposits. The carrying amounts of these balances in the statement of financial position represent the Target's maximum exposure to credit risk in relation to its financial assets.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Target maintains a defined credit policy for its customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

Majority of the Target's bank balances are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors of trade and other receivables and deposits is assessed based on the financial position of the debtors as well as past experience of the Target in dealing with respective debtors and credit risk is not expected to be high because these debtors have no history of default in payment and will continue to operate as going concerns or with good financial positions.

Impairment of financial assets

By 31 December 2017, the Target applied HKAS 39 incurred loss model to measure impairment of financial assets. From 1 January 2018 onwards, the Target applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, and general approach for bank balance, other receivables and deposits, which determines a 12-month expected credit losses unless there has been a significant increase in credit risk.

While bank balance, other receivables and deposits are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances of trade receivables are based on the payment profiles of sales over a period of 3 years before 1 January 2018 and the corresponding historical credit losses experienced within this period, and adjusted to reflect current and forward looking information. The Target uses judgment in making these assumptions and selecting the inputs to the impairment calculation.

The following table summarised the loss allowance as at each reporting date:

	0–30 days	31–60 days	61–90 days	Over 90 days	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
As at 1 January 2018					
Gross carry amount	11,993	8,245	2,065	8,311	30,614
Loss allowance	—	—	—	(382)	(382)
	11,993	8,245	2,065	7,929	30,232
	—	—	—	4.6%	
At 30 September 2018					
Gross carrying amount	17,879	10,026	5,769	18,101	51,775
Loss allowance	—	—	—	(482)	(482)
	17,879	10,026	5,769	17,619	51,293
	—	—	—	2.7%	

At 1 January 2018 and 30 September 2018, the expected credit loss rates of each ageing band range from 0%–4.6%.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Target.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous credit policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Target considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Most of the income and expenditures of the Target are denominated in NTD. In the opinion of Target's directors, the exposure to foreign exchange rate risk is considered low. As such, no sensitivity analysis is presented.

The Target has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018.

(c) Cash flow and interest rate risk

The Target has no significant interest-bearing assets and liabilities other than cash at bank and short-term bank deposit. The Target's cash at bank earns interest at floating rates and short-term bank deposits earns interest at fixed rates. The Target does not enter into derivatives to address cash flow interest rate risks for each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018.

The directors of the Target considered that, the exposure to interest rate risk is considered low. As such, no sensitivity analysis is presented.

(d) Liquidity risk

The Target policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and longer term.

The Target's primary cash requirements have been for payment for purchases and operating expenses, including employee benefit expenses. The Target finances its working capital requirements are generated from operating activities.

At 31 December 2015, 2016 and 2017 and 30 September 2018, all of the Target's financial liabilities including trade payables, other payables and accrued liabilities were due for settlement contractually within 12 months from the year end date.

3.2 Capital management

The Target's objectives when managing capital are to safeguard the Target's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Target comprises issued share capital, statutory reserve and retained earnings. In order to maintain or adjust the capital structure, the Target may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The carrying amounts of the Target's financial assets, including cash and bank balances, short-term bank deposits, trade receivables, deposits and other receivables and the Targe's financial liabilities, including trade payables, other payables and accrued liabilities approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Target makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of plant and equipment

The Target reviews plant and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on management's estimate with best information available. The Target derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Target may uses cash flow estimates discounted at an appropriate discount rate as appropriate.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Target uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) Income taxes and deferred taxation

Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(d) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant judgements are required. In making this judgement, the Target evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

5 REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
				(Unaudited)	
Sales of goods — heating jackets and thermal control systems	199,125	111,390	233,779	183,997	154,546

6 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
				(Unaudited)	
Exchange gain/(losses)	813	(88)	(958)	(818)	(1,690)
Gain on disposal of financial assets at fair value through profit or loss	—	531	—	—	—
	813	443	(958)	(818)	(1,690)

7 EXPENSE BY NATURE

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
				(Unaudited)	
Cost of materials used	68,412	32,516	78,197	66,316	50,356
Sub-contracting expenses	800	607	867	541	2,024
Legal and professional expenses	734	724	931	627	1,458
Operating lease expenses	85	85	310	185	306
Provision for/(reversal of) impairment of trade receivables *(Note 15)*	220	293	(359)	(470)	100
Employee benefits expenses (including directors' remuneration) *(Note 8)*	32,944	22,912	46,183	33,900	36,449
Depreciation of plant and equipment *(Note 12)*	647	582	758	505	937
Amortisation of intangible assets *(Note 13)*	89	89	186	122	192
Transportation expenses	459	967	1,293	467	970
Repair and maintenance	184	173	288	149	215
Others	2,960	3,049	4,840	3,334	2,612
	107,534	61,997	133,494	105,676	95,619

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Wages, salaries, bonus and other benefits	32,025	22,231	44,774	32,904	35,090
Pension costs — defined contribution plans *(Note)*	919	681	1,409	996	1,359
	32,944	22,912	46,183	33,900	36,449

Note:

Pension costs — defined contribution plans

Employees in the Target are required to participate in a defined contribution pension scheme administrated and operated by the government. The Target contributes funds which are calculated on six percentage of the average employee salary as agreed by government to the scheme to fund the retirement benefits of the employees. The contributions to the scheme are expensed as incurred.

9 FINANCE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Bank interest income	177	405	420	266	74

10 INCOME TAX EXPENSE

The applicable corporate income tax rate where the Target operates and generate taxable income is 17% for the years ended 31 December 2015, 2016, 2017 and the nine months ended 30 September 2017 and 20% for the nine months ended 30 September 2018.

Pursuant to the Article 66-9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, the ROC, an additional income tax shall be charged at 10% for the years ended 31 December 2015, 2016, 2017 and the nine months ended 30 September 2017 and 5% for the nine months ended 30 September 2018 on the undistributed surplus earnings in prior years.

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Current income tax	17,486	15,580	17,763	15,842	11,839
Deferred income tax	—	(3,383)	108	(1,711)	(953)
	17,486	12,197	17,871	14,131	10,886

The tax on the Target's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the entity as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Profit before income tax	92,581	50,241	99,749	77,769	57,318
Tax calculated at applicable tax rate	15,739	8,541	16,957	13,221	11,463
Income not subject to tax	(82)	(103)	—	—	—
Expenses not deductible for tax purposes	—	—	4	—	—
Effect on change of income tax rate	—	—	—	—	(577)
Effect on additional income tax on the undistributed surplus earnings	1,829	3,759	910	910	—
	17,486	12,197	17,871	14,131	10,886

For each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018, the effective tax rate was 19%, 24%, 18%, 18% and 19% respectively.

11 DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Dividends paid	19,981	30,000	40,000	40,000	105,000

On 25 May 2015, 20 May 2016, 12 June 2017 and 2 April 2018, the Target's board of directors approved dividends of NTD13.32 per share, NTD20 per share, NTD26.67 per share, NTD26.67 per share and NTD70 per share, totaling to NTD19,981,000, NTD30,000,000, NTD40,000,000 and NTD105,000,000 dividend was recognised as a reduction of retained earnings, respectively.

12 PLANT AND EQUIPMENT

	Machineries	Leasehold improvements	Furniture and fixture	Motor vehicles	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
At 1 January 2015					
Cost	503	1,246	1,594	1,014	4,357
Accumulated depreciation	(291)	(454)	(822)	(445)	(2,012)
Net book value	212	792	772	569	2,345
Year ended 31 December 2015					
Opening net book value	212	792	772	569	2,345
Additions	—	468	—	—	468
Depreciation charge	(48)	(251)	(179)	(169)	(647)
Closing net book value	164	1,009	593	400	2,166

	Machineries	Leasehold improvements	Furniture and fixture	Motor vehicles	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
At 31 December 2015					
Cost	503	1,714	1,594	1,014	4,825
Accumulated depreciation	(339)	(705)	(1,001)	(614)	(2,659)
Net book value	164	1,009	593	400	2,166
Year ended 31 December 2016					
Opening net book value	164	1,009	593	400	2,166
Additions	—	102	—	—	102
Depreciation charge	(44)	(260)	(109)	(169)	(582)
Closing net book value	120	851	484	231	1,686
At 31 December 2016					
Cost	503	1,606	1,594	1,014	4,717
Accumulated depreciation	(383)	(755)	(1,110)	(783)	(3,031)
Net book value	120	851	484	231	1,686
Year ended 31 December 2017					
Opening net book value	120	851	484	231	1,686
Additions	96	1,041	—	571	1,708
Depreciation charge	(36)	(503)	(95)	(124)	(758)
Closing net book value	180	1,389	389	678	2,636
At 31 December 2017					
Cost	599	2,647	1,594	1,585	6,425
Accumulated depreciation	(419)	(1,258)	(1,205)	(907)	(3,789)
Net book value	180	1,389	389	678	2,636
Period ended 30 September 2018					
Opening net book value	180	1,389	389	678	2,636
Additions	—	446	105	571	1,122
Depreciation charge	(12)	(762)	(62)	(100)	(936)
Closing net book value	168	1,073	432	1,149	2,822
At 30 September 2018					
Cost	599	3,093	1,699	2,156	7,547
Accumulated depreciation	(431)	(2,020)	(1,267)	(1,007)	(4,725)
Net book value	168	1,073	432	1,149	2,822

	Machineries	Leasehold improvements	Furniture and fixture	Motor vehicles	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
At 1 January 2017					
Cost	503	1,606	1,594	1,014	4,717
Accumulated depreciation	(383)	(755)	(1,110)	(783)	(3,031)
Net book value	120	851	484	231	1,686
Period ended 30 September 2017 (Unaudited)					
Opening net book value	120	851	484	231	1,686
Additions	96	1,041	—	571	1,708
Depreciation charge	(27)	(305)	(72)	(101)	(505)
Closing net book value	189	1,587	412	701	2,889
At 30 September 2017 (Unaudited)					
Cost	599	2,647	1,594	1,585	6,425
Accumulated depreciation	(410)	(1,060)	(1,182)	(884)	(3,536)
Net book value	189	1,587	412	701	2,889

Gross amount of plant and equipment amounting to NTD1,051,000, NTD1,301,000, NTD2,469,000, NTD2,469,000 and NTD2,549,000 as at 31 December 2015, 2016 and 2017 and each of nine months ended 30 September 2017 and 2018 which are fully depreciated and still in use.

For each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018, depreciation expense of NTD456,000, NTD391,000, NTD612,000 and NTD388,000 and NTD836,000 was charged to "cost of sales" in the statements of comprehensive income.

For each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018, depreciation expense of NTD191,000, NTD191,000, NTD146,000 and NTD117,000 and NTD100,000 was charged to "general and administrative expenses" in the statements of comprehensive income.

13 INTANGIBLE ASSETS

	Computer software
	NTD'000
At 1 January 2015	
Cost	505
Accumulated amortisation	(142)
Net book value	363
Year ended 31 December 2015	
Opening net book value	363
Amortisation charge	(89)
Closing net book value	274

	Computer software *NTD'000*
At 31 December 2015	
Cost	505
Accumulated amortisation	(231)
Net book value	274
Year ended 31 December 2016	
Opening net book value	274
Amortisation charge	(89)
Closing net book value	185
At 31 December 2016	
Cost	445
Accumulated amortisation	(260)
Net book value	185
Year ended 31 December 2017	
Opening net book value	185
Additions	500
Amortisation charge	(186)
Closing net book value	499
At 31 December 2017	
Cost	945
Accumulated amortisation	(446)
Net book value	499
Nine months ended 30 September 2018	
Opening net book value	499
Amortisation charge	(192)
Closing net book value	307
At 30 September 2018	
Cost	945
Accumulated amortisation	(638)
Net book value	307
At 1 January 2017	
Cost	445
Accumulated amortisation	(260)
Net book value	185

	Computer software NTD'000
(Unaudited)	
Nine months ended 30 September 2017	
Opening net book value	185
Amortisation charge	(122)
Additions	500
Closing net book value	563
At 30 September 2017	
Cost	945
Accumulated amortisation	(382)
Net book value	563

For each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018, amortisation expense of NTD77,000, NTD80,000, NTD177,000 and NTD115,000 and NTD185,000 was charged to "cost of sales" in the statements of comprehensive income.

For each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018, amortisation expense of NTD12,000, NTD9,000, NTD9,000 and NTD7,000 and NTD7,000 was charged to "general and administrative expenses" in the statements of comprehensive income.

14 DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Non-current:				
Rental deposits	10	10	47	47
Current:				
Prepayment	213	843	477	925
Other receivables	15	15	115	—
	228	858	592	925
Total deposits, prepayments and other receivables	238	868	639	972

The maximum exposure to credit risk at each of the reporting date is the carrying amount of each class of receivables and deposits mentioned above. The Target does not hold any collateral as security. The carrying amounts of deposits and other receivables are denominated in NTD and approximate their fair values as the impact of discounting is not significant.

15 TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Trade receivables due from third parties	20,498	51,505	29,064	48,348
Trade receivables due from related parties *(Note 25)*	17,091	1,647	1,550	3,427
Total trade receivables	37,589	53,152	30,614	51,775
Less: loss allowance of trade receivables *(Note 3.1 (a))*	(448)	(741)	(382)	(482)
Total trade receivable, net	37,141	52,411	30,232	51,293

The trade receivables are generally on credit terms within 60 to 120 days. The ageing of trade receivables by invoice date is as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
0–30 days	9,718	16,354	11,993	17,879
31–60 days	18,814	19,517	8,245	10,026
61–90 days	1,884	4,176	2,065	5,769
Over 90 days	6,725	12,364	7,929	17,619
	37,141	52,411	30,232	51,293

Movements on the loss allowance of trade receivables are as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Beginning of the year/period	228	448	741	382
Provision for/(reversal of) impairment of trade receivables	220	293	(359)	100
End of the year/period	448	741	382	482

The Target does not hold any collateral as security. The carrying amounts of trade receivables are denominated in NTD and approximate their fair values.

16 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred taxation is calculated in full on temporary differences using a taxation rate of 24.5% as at 31 December 2015, 2016 and 2017 and 23.6% as at 30 September 2018.

The following amounts are shown in the statements of financial position:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Deferred income tax assets to be recovered after more than 12 months	—	3,383	3,275	4,228

Movement of deferred income tax assets arising from deferred revenue during the years/period is as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Beginning of the year/period	—	—	3,383	3,275
Effect on change of income tax rate	—	—	—	577
Credited/(charged) to the statement of comprehensive income	—	3,383	(108)	376
End of the year/period	—	3,383	3,275	4,228

As at 31 December 2015, 2016 and 2017 and 30 September 2017 and 30 September 2018, the Target does not have any significant unrecognised deferred taxation.

17 INVENTORIES

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Raw materials	10,738	18,225	24,416	30,159
Finished goods	6,669	61,345	80,772	81,427
	17,407	79,570	105,188	111,586

The cost of inventories recognised as expense and included in cost of sales amounted to NTD68,412,000, NTD21,539,000, NTD78,197,000, NTD66,316,000 (Unaudited) and NTD50,356,000 for the years ended 31 December 2015, 2016 and 2017 and for the nine months ended 30 September 2017 and 2018, respectively.

18 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Cash at bank	111,820	69,200	124,758	66,716
Cash on hand	50	50	100	100
	111,870	69,250	124,858	66,816
Short-term bank deposits	19,960	29,940	29,940	—
	131,830	99,190	154,798	66,816
Maximum exposure to credit risk	131,780	99,140	154,698	66,716

For each of the years ended 31 December 2015, 2016 and 2017 and nine months ended 30 September 2017 and 2018, the weighted average effective interest rate on short-term bank deposits with original maturity over three months is 1.26%, 1.07% and 1.07%, 1.07% and nil per annum, respectively.

The carrying amounts of cash and cash equivalents and short-term bank deposits are denominated in NTD.

19 SHARE CAPITAL AND RESERVES

(a) Share capital

	Number of shares *('000)*	*NTD'000*
Ordinary shares, issued and fully paid		
At 1 January 2015, 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018	1,500	15,000

(b) Statutory reserve

In accordance with the Taiwan Companies Act, the Target is required to appropriate 10% of the annual profit after income tax (and after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the ROC to the statutory reserve until the balance of the reserve fund reaches the amount equal to the entity's registered capital. The statutory reserve shall be provided until the reserve equals the entity's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or shares for the portion in excess of 25% of the paid-in capital if the entity incurs no loss.

20 TRADE PAYABLES

An ageing analysis of trade payables as at 31 December 2015, 2016 and 2017 and 30 September 2018, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
0–30 days	3,208	12,724	10,235	7,172
31–60 days	3,782	10,307	6,806	7,674
61–90 days	2,106	6,661	3,509	2,913
Over 90 days	101	35	—	84
	9,197	29,727	20,550	17,843

The carrying amounts of the Target's trade payables are denominated in NTD and approximate their fair values due to their short maturities.

21 OTHER PAYABLES, ACCRUED LIABILITIES AND RECEIPTS IN ADVANCE/CONTRACT LIABILITIES

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Staff salaries, bonuses and welfare payables	14,352	13,208	18,382	11,010
Other payables and accrued liabilities	2,164	2,051	1,194	1,893
Receipt in advance	179	26,359	45,214	—
	16,695	41,618	64,790	12,903
Contract liabilities	—	—	—	62,356

The carrying amounts of the Target's other payables and accrued liabilities are denominated in NTD.

The carrying amounts of the Target's other payables and accrued liabilities approximate their fair values due to their short maturities.

Contract liabilities (2015, 2016 and 2017: Receipt in advance from customers) have increased by NTD26,180,000, NTD18,855,000 and NTD17,142,000 as at 31 December 2016, 2017 and 30 September 2018, due to more deposits received from customers and an increase in overall contract activity.

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Revenue recognised that was included in the contract liabilities balance as at beginning of the year/period	165	179	26,359	45,214

22 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Financial assets				
Financial assets at amortised cost				
Trade receivables	37,141	52,411	30,232	51,293
Deposits and other receivables	25	25	162	47
Short-term bank deposit	19,960	29,940	29,940	—
Cash and cash equivalents	111,870	69,250	124,858	66,816
Total	168,996	151,626	185,192	118,156
Financial liabilities				
Financial liabilities at amortised cost				
Trade payables	9,197	29,727	20,550	17,843
Other payables and accrued liabilities	2,164	2,051	1,194	1,893
Total	11,361	31,778	21,744	19,736

23 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	92,581	50,241	99,749	77,769	57,318
Adjustments for:					
Depreciation of plant and equipment	647	582	758	505	937
Amortisation of intangible assets	89	89	186	122	192
Gain on disposal of financial assets at fair value through profit and loss	—	(531)	—	—	—
Interest income	(177)	(405)	(420)	(266)	(74)
Provision for/(reversal of) impairment of trade receivables	220	293	(359)	(470)	100
Change in working capital					
Inventories	5,994	(62,163)	(25,618)	(14,602)	(6,398)
Trade and other receivables	(14,607)	(16,178)	22,782	21,276	(21,509)
Trade and other payables	7,926	19,273	(4,860)	(16,441)	(9,380)
Contract liabilities/receipt in advance	14	26,180	18,855	26,745	17,142
Cash generated from operations	92,687	17,381	111,073	94,638	38,327

(b) Reconciliation of liabilities arising from financing activities was not presented as there was no change in liabilities arising from financing activities during each of the years ended 31 December 2015, 2016 and 2017 and for the nine months ended 30 September 2017 and 2018.

24 COMMITMENTS

Operating lease commitments

As at 31 December 2015 and 2016 and 2017 and 30 September 2017 and 2018, the Target had future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Not later than one year	67	67	319	203
Later than one year but not later than two years	67	67	123	—
Later than 2 years and no later than 5 years	106	39	—	—
	240	173	442	203

25 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Target where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) The directors of the Target are of the view that the following companies were related parties that had transactions or balances with the Target during the Track Record Period:

Name of the related party	**Relationship with the Target**
崇翌科技股份有限公司	Controlled by common director
崇翌微電子技術(上海)有限公司	Controlled by common director

(b) **Transactions with related parties**

Save as disclosed elsewhere in the Historical Financial Information, the Target had the following material transactions with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Sales of goods					
崇翌科技股份有限公司	94,750	9,213	22,807	22,166	13,753
崇翌微電子技術(上海)有限公司	1,134	4,561	3,567	2,736	766
	95,884	13,774	26,374	24,902	14,519

Sales to related parties were carried out at prices mutually agreed between the respective parties.

(c) Balances with related parties

The Target had the following balances with related parties:

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Amounts due from related parties				
崇翌科技股份有限公司	15,864	445	704	3,427
崇翌微電子技術(上海)有限公司	1,227	1,202	846	—
	17,091	1,647	1,550	3,427

The balances are interest-free, unsecured and have a credit term of 60–120 days. The carrying amounts of the balances approximate their fair values and are denominated in NTD.

(d) Key management compensation

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000* (Unaudited)	*NTD'000*
Salaries and bonus					
Pension costs — defined contribution plans	363	388	400	298	432
Salaries and bonus	13,959	13,272	15,086	11,366	11,666
	14,322	13,660	15,486	11,664	12,098

26 CONTINGENT LIABILITIES

As at 31 December 2015, 2016, 2017 and 30 September 2018, the Target has no material contingent liabilities.

27 SUBSEQUENT EVENTS

On 12 December 2018, Top Vitality Limited (the "Buyer") and Owners of Target (the "Sellers") entered into the Share Purchase Agreement ("SPA") pursuant to which, the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase 100% equity interest of the Target at a cash consideration of NTD300 million (equivalent to approximately HK$75 million).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target in respect of any period subsequent to 30 September 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target in respect of any period subsequent to 30 September 2018.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from and based on (i) the Prospectus for each of the years ended 31 December 2015 and 2016; (ii) the annual report of the Company for the year ended 31 December 2017; and (iii) the third quarterly report of the Company for the nine months ended 30 September 2018. Terms used below shall have the same meanings as defined in the aforesaid Prospectus and reports.

For each of the years ended 31 December 2015 and 2016

Revenue

The Group generated its revenue principally from two major types of business (i) turnkey solution, and (ii) trading of SME and parts.

The following table sets forth a breakdown of the revenue of the Group for the years ended 31 December 2015 and 2016:

	For the year ended 31 December			
	2015		2016	
	NTD'000	*%*	*NTD'000*	*%*
Turnkey solution	881,099	85.9	1,094,222	89.4
Trading of SME and parts	144,820	14.1	129,072	10.6
Total revenue	1,025,919	100	1,223,294	100

Turnkey solution

For the years ended 31 December 2015 and 2016, the overall revenue of the Group has been mainly driven by our turnkey solution business which accounted for approximately NTD881.1 million and NTD1,094.2 million, representing approximately 85.9% and 89.4% of its revenue, respectively.

Trading of SME and parts

For the years ended 31 December 2015 and 2016, the Group's revenue represented the sales derived from trading of SME and parts accounted for approximately NTD144.8 million and NTD129.1 million, representing approximately 14.1% and 10.6% of its revenue, respectively.

Financial Review

For the two years ended 31 December 2016, the portion of the Group's revenue derived from its turnkey solution business increased from approximately 85.9% to 89.4% of its overall revenue, leading to a drop in the portion of revenue derived from the trading of SME and/or parts business from approximately 14.1% to 10.6% during the respective years. Such growth in the Group's turnkey solution business was due mainly to the growth in its sales to both the semiconductor manufacturers and SME and/or parts trading company.

Year ended 31 December 2016 compared to year ended 31 December 2015

For the two years ended 31 December 2016, our overall revenue increased from approximately NTD1,025.9 million to NTD1,223.3 million. The increase in our revenue by approximately 19.2% during the year ended 31 December 2016 was mainly attributable to the increasing market demand of semiconductors products triggered by the recent tremendous growth of the wearable device markets. The derived demand of both of the Group's turnkey solution and trading of SME and parts businesses were mainly derived from the Group's semiconductor manufacturer customers who were expanding their semiconductor manufacturing capacities in the PRC and Taiwan accordingly. The overall growth in the Group's revenue was mainly attributable to the net effect of: (i) the increase in its sales to Customer B, Customer F and Customer G in aggregate by approximately NTD492.0 million, as a result of their continuous expansion of its production capacities, (ii) the drop in its sales to Customer A by approximately NTD177.6 million reflecting a slowdown in the purchase orders from Customer A; and, (iii) an exchange loss of approximately NTD24.8 million due to the appreciation of average USD/NTD in its sales during the respective year as compared to the loss of approximately NTD15.6 million due to the appreciation of USD/NTD for the same period in 2015.

Liquidity and capital resources

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings for the years ended 31 December 2015 and 2016. The Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

The Group's working capital requirements mainly comprised cost of acquisitions of SME and parts, labour costs and manufacturing overheads. The Directors considered the listing expenses also had a material impact on the net operating cash flow of the Group for the years ended 31 December 2015 and 2016. The Group recognised listing expenses of approximately NTD3.0 million and NTD39.0 million for the year ended 31 December 2015 and 2016. In terms of cash flows, the Group settled the expense by cash and reduced its operating cash flow by approximately nil and NTD40.7 million for the respective years. The Directors confirmed that the Group had not experienced any liquidity problem in settling its payables in the normal course of business and repaying its bank borrowings when they fall due for the years ended 31 December 2015 and 2016.

Bank Borrowings and Change on Assets

As at 31 December 2015 and 2016, the Group's bank borrowings represented its loans from banks in Taiwan. The following table sets forth the Group's bank borrowings as at 31 December 2015 and 2016:

	As at 31 December	
	2015	**2016**
	NTD'000	*NTD'000*
Unsecured bank borrowings	261,362	173,106
Secured long-term bank borrowings	130,948	300,000
Total bank borrowings	392,310	473,106

The Group's bank borrowings consisted of both secured and unsecured facilities. As at 31 December 2015 and 2016, the Group had bank borrowings amounted to approximately NTD392.3 million and NTD473.1 million respectively.

The Group's long-term bank borrowing as at 31 December 2015, with a principal amount of NTD150.0 million, is secured by land and building of the Group. The secured bank borrowing bears interest at 1.90% per annum above the bank's NTD prime rate and is repayable in 240 monthly instalments. This borrowing had been early repaid in full before 31 December 2016.

As at 31 December 2016, there are two loans with principal amounts of NTD108.0 million and NTD17.0 million, bearing interest at 1.8% per annum and repayable in 180 monthly installments. These borrowings are secured by land and building of our Group. There is a long-term unsecured loan with principal amount of NTD82.0 million, bearing interest at 2.1% per annum and repayable in 36 monthly installments.

The short term bank borrowing as at 31 December 2016 with principal amount of NTD175.0 million, bears interest at 1.90% per annum and is repayable in 12 monthly instalments. It is secured by land and building of our Group.

Gearing ratio

The Group's gearing ratio, as calculated by dividing the Group's bank borrowings by the Group's total equity, as at 31 December 2015 and 2016 was approximately 155.1% and 190.2% respectively. As at 31 December 2015 and 2016, the Group held relatively high level of indebtedness, consisting mainly of short-term borrowings and long-term borrowings from banks in Taiwan, which accounted for approximately NTD392.3 million and NTD473.1 million, respectively. As at 31 December 2016, the increase in the Group's gearing ratio was due to the net increase in it total bank borrowings of approximately NTD80.8 million and the decrease in its total equity of approximately NTD4.2 million. Such decrease in the Group's total equity was mainly due to the net effect of (i) the net proceed of approximately NTD32.2 million from the Company's pre-IPO investment during the respective years as detailed under the section headed ''History, Reorganisation and Group Structure — Pre-IPO Investment'' in the prospectus, (ii) the Group's dividend payment of approximately NTD48.3 million and (iii) the Group's total comprehensive income of approximately NTD11.9 million for the year ended 31 December 2016.

Contingent liabilities

As at 31 December 2015 and 2016, the Group did not have any significant contingent liabilities.

Capital expenditure

The Group's capital expenditures principally consisted of purchase of building, leasehold improvements and office equipment. The Group primarily funded its capital expenditures through cash flows generated from operations and bank borrowings. The following table sets forth the Group's capital expenditure during the year indicate:

	For the year ended 31 December	
	2015	**2016**
	NTD'000	*NTD'000*
Building	—	138
Leasehold improvements	2,170	1,376
Office equipment	9,733	28,331
Total	11,903	29,845

Operating lease commitments

As at 31 December 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2015	**2016**
	NTD'000	*NTD'000*
Not later than one year	6,834	3,169
Later than one year and not later than five years	1,613	678
	8,447	3,847

The Fluctuation in Foreign Exchange Rates

As the provision of our turnkey solution and trading of SME and parts to the Group's customers are primarily denominated in US dollars whereas some of its purchase of materials and payment of wages and salaries to our workers in Taiwan are denominated in NTD, the Group is exposed to the exchange rates risk. The Group's profit margins will be negatively affected when it is unable to pass any appreciation of the NTD against the US dollars to its customers by raising the selling price of our products in US dollars. Any significant fluctuations in the exchange rates in the future will also have an impact on the Group's reported costs and earnings, and therefore, our operation results. In addition, the Group is exposed to the risks associated with the currency conversion and exchange rate system in Taiwan.

Human resources

As at 31 December 2015 and 2016, the Group employed 101 and 104 employees, respectively. All of its staff are full-time employees reside in Taiwan.

The Group also participated in various labor-related schemes including pension, labour insurance and national health insurance. The Group is required under Taiwan law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of its employees in accordance with the respective regulatory requirement.

Dividend

For the years ended 31 December 2015 and 2016, the Group declared dividends of approximately NTD60.0 million and NTD48.3 million, respectively. The dividends were paid to its then shareholders which were settled by cash or issuance of new shares. For the year ended 31 December 2015, NTD30.0 million were settled by cash and NTD30.0 million were settled by the issuance of bonus shares. For the year ended 31 December 2016, Genes Tech, the principal subsidiary of the Group declared intra-group dividends of NTD60.0 million. The dividend was paid to Top Vitality, a direct wholly-owned subsidiary of the Company by cash. Such intra-group dividend paid to non-Taiwan resident enterprise, or profit seeking enterprise is subject to withholding tax of 20%. Subsequent to the intra-group dividend, interim dividends of approximately NTD48.3 million were declared by the Group to its then shareholders, and were fully settled by cash. The Directors consider that there is no material adverse impact on the Group's financial and liquidity position arising out of dividend payment.

For the year ended 31 December 2017

Market overview

In 2017, with the gradual recovery of the global economy, China's economy grew steadily, and its gross domestic product saw a year-on-year increase of 6.9%. At the same time, high-tech electronic devices have become extremely popular across China with demand for consumer electronics such as smartphones, tablets and wearable devices dramatically increasing. In order to expand production capacity to meet this rising demand, during the year under review, global wafer manufacturers were actively looking for turnkey solution providers to upgrade and refurbish their SME, which became the major driving force of Taiwan's SME industry. During the year under review, benefitting from the industry's continuing growth, the Group's business operations and results developed in a stable manner.

Business review

The Group is a leading turnkey solution provider and exporter of used SME and parts in Taiwan. The Group has been providing turnkey solution of used SME and Parts to customers who need to alter and/or upgrades the semiconductors of production systems from time to time. Moreover, the Group also carries out the trading of SME and parts business. The SME and parts supplied by the Group include: furnaces, clean tracks and other related items, which are used at the front-end of the semiconductor manufacturing process, wafer fabrication, such as deposition, photoresist coating and development. In addition, the Group formed an impressive overseas customer network, and maintained stable relationships with major clients from China, Taiwan and the Singapore. With an experienced management team in place and a widely heralded total quality management system, the Group has become one of the leading turnkey solutions suppliers and exporters in Taiwan. During the year, the Group maintained stable development in general, recording total revenue of approximately NTD1,238.4 million (2016: approximately NTD1,223.3 million), and total comprehensive income attributable to owners of the Company of approximately NTD34.6 million (2016: approximately NTD11.9 million), an increase of approximately 1.2% and approximately 200.0% respectively. Excluding the listing expenses of the Group of approximately NTD31.5 million and NTD39.0 million for 2017 and 2016 respectively, the Group's net profit would have been approximately NTD69.0 million and NTD51.1 million for 2017 and 2016, representing the increase of approximately 35.0%. This was mainly due to the on-going rise in semiconductor product market demand driven by the recent strong growth in the wearable devices market.

The Group is committed to strengthen its position as a turnkey solution provider in Taiwan and China. On 14 July 2017, the shares of the Company were successfully listed on the GEM by way of placing and public offer (the "**Share Offer**"), which not only promoted the overall enterprise image of the Group and enhanced its market recognition, but also established a significant milestone in terms of the overall development of the Group. The net proceeds were approximately HK$42.2 million, which will significantly help the Group to further expand its business operations.

Turnkey solutions

During the year, turnkey solutions was the major revenue source for the Group. For the year ended 31 December 2017, the Group recorded revenue of approximately NTD1,193.6 million (2016: approximately NTD1,094.2 million), an increase of approximately 9.1% compared with last year. The growth of the turnkey solutions business was mainly driven by the sales growth of semiconductor manufacturers being the Group's major types of customers.

The Group's turnkey solutions revenue was mainly generated from the global leading semiconductor manufacturing markets, including Taiwan and China where recorded revenue for the Group's related businesses for 2017 reached approximately 31.0% and approximately 51.8%, respectively.

Trading of SME and parts

During 2017, the Group recorded revenue of approximately NTD44.8 million (2016: approximately NTD129.1 million) arising from trading of SME and parts, a decrease of approximately 65.3% compared with last year. Such drop was mainly due to a decrease in trading of SME and parts from the Group's overseas turnkey solutions providers. During the year, revenue from trading in SME and parts comprised approximately 3.6% of total revenue for the Group.

Outlook

The application of semiconductors is expected to expand into different types of consumer electronics where the market for wearable devices such as smartwatches and fitness trackers which have expanded rapidly in recent years and offered enormous future growth potential, which will drive up the demand for integrated circuits.

Looking ahead, the Group will seize new opportunities in the used SME sector in Taiwan and China while further strengthening its overall position within the industry. By enhancing sales and focusing steadily on R&D as well as expanding the number of experienced technical personnel on team, the Group will strive to achieve sustainable growth in its overall business operations. At the same time, the Group will strive to maintain its strong financial status and release liquidity while creating long-term value for its shareholders.

Financial review

For the year ended 31 December 2017, the Group recorded revenue of approximately NTD1,238.4 million (2016: approximately NTD1,223.3 million), representing an increase of approximately 1.2% compared with last year. The growth in revenue was mainly due to customers expanding their semiconductor manufacturing operations to meet the recent substantial growth in the wearable devices market, which has fueled the demand for SME and parts. For the year ended 31 December 2017, the Group recorded revenue of approximately NTD1,193.6 million and approximately NTD44.8 million for its turnkey solutions business and trading of SME and parts, respectively.

Total comprehensive income attributable to owners of the Company amounted to approximately NTD34.6 million (2016: approximately NTD11.9 million) while basic and diluted earnings per share amounted to approximately NTD4.3 cents (2016: NTD1.6 cents). The increase of total comprehensive income attributable to owners of the Company mainly resulted from increasing trend of its gross profit and also attributable to the decreasing trend of its general and administrative expenses. The net profit margin during 2017 edged up to approximately 3.0% (2016: approximately 1.0%).

For 2017, Cost of sales for the Group reached approximately NTD1,001.2 million (2016: NTD988.3 million). This increase in the cost of sales was mainly due to an increase in the overall revenue of the Group as well as an increase in SME material costs along with parts and labor costs.

During 2017, the Group's gross profit amounted to approximately NTD237.2 million (2016: approximately NTD235.0 million), while the gross profit margin remained as fairly stable at approximately 19.1% (2016: approximately 19.4%).

Liquidity and capital resources

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the year. The Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

As at 31 December 2017, the bank borrowings of the Group totaled approximately NTD487.1 million (2016: approximately NTD473.1 million). The gearing ratio of the Group, as calculated by dividing the Group's bank borrowings by the Group's total equity, was approximately 103.9% (2016: approximately 190.2%).

Charge on Assets

As at 31 December 2017, certain land and building of the Group with an aggregate carrying amount of approximately NTD212,276,000 (2016: NTD214,417,000) were pledged to secure the Group's bank facilities.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

During 2017, 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 2017, the Group did not have any significant capital commitments (2016: Nil) and significant contingent liability (2016: Nil).

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

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

Human resources

As at 31 December 2017, the Group employed approximately 131 employees (2016: 104). All of our staff are full-time employees and located in Taiwan.

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

Dividend

The Board has recommended the payment of a final dividend of HK$0.01 per share in respect of the year ended 31 December 2017 (2016: Nil).

For the nine months ended 30 September 2018

Market overview

In 2018, the internet of things has continued to be the key driver of the revenue growth in the semiconductor industry. Cloud computing, artificial intelligence and wireless communication have also vigorously spurred the development of the semiconductor industry. In addition, it is expected that the launch of 5G technology in the future will stimulate a new round of growth. Therefore, although the market condition is severely affected by trade wars, the market outlook of the global semiconductor industries are remain positive in 2018 in terms of future profitability, revenue growth, capital expenditure and research and development capability. Under the favorable development trend in the industry, the Group is committed to deepen its business penetration in various markets, while strengthening its control over internal costs and expenses.

Business review

The Group is a turnkey solution provider and exporter of used semiconductor manufacturing equipment (''**SME**'') and parts in Taiwan, mainly engaged in providing turnkey solution of used SME and parts to its customers and altering and/or upgrading the semiconductor equipment used in the production systems of its customers according to their needs. Moreover, the Group also engages in the trading of SME and parts. During the nine months ended 30 September 2018, the Group recorded total revenue of approximately NTD848.2 million (corresponding period in 2017: approximately NTD1,029.6 million). Under the shadow of the trade conflicts between the United States and the PRC, the Group has adopted a conservative approach of tightly controlling its costs and expenses, under which, the total comprehensive income attributable to owners of the Company for the period amounted to approximately NTD36.7 million (corresponding period in 2017: approximately NTD35.5 million), representing a year-on-year increase of approximately 3.3%.

With our continuous efforts in enhancing the overall competitiveness of the business, the Group was awarded the ''Market Development Excellence Award'' in the ''Outstanding Import & Export Enterprise Awards 2018'' ceremony, an event organized by the Hong Kong Chinese Importers'& Exporters' Association. In addition, the Group has once again received the ''Listed Enterprise Excellence Award 2018 (傑出上市企業大獎2018)'' in an event jointly organized by AM730 and RoadShow, in recognition of the Group's management excellence.

Turnkey solutions

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

For the nine months ended 30 September 2018, the turnkey solution business has received an increased number of purchase orders as compared to the corresponding period in 2017, and we have continued to maintain our service quality as well as meeting our customers' requirements. However, since the expected revenue of some of the new orders has yet to be recognised during the period, our revenue from turnkey solutions dropped to approximately NTD815.8 million (corresponding period in 2017: approximately NTD1,001.0 million). It is expected that the additional revenue will be realized subsequently for those segments in the fourth quarter.

The Group's turnkey solutions revenue was mainly derived from the global leading semiconductor manufacturers, including Taiwan and the PRC, where recorded revenue for the Group's related businesses reached approximately 47.4% and approximately 35.3%, respectively. For further details regarding fluctuations in revenue from different geographical locations, please refer to the paragraphs headed "Financial Review" of this appendix.

Trading of SME and parts

During the nine months ended 30 September 2018, the Group recorded revenue of approximately NTD32.4 million (corresponding period in 2017: approximately NTD28.6 million) from the trading of SME and parts, representing an increase of approximately 13.2% compared to the corresponding period last year, because used manufacturing equipment with lower cost had attracted many customers under the current gloomy economy. During the nine months ended 30 September 2018, revenue from the trading of SME and parts accounted for approximately 3.8% of total revenue of the Group.

Financial review

For the nine months ended 30 September 2018, the Group recorded revenue of approximately NTD848.2 million (corresponding period in 2017: approximately NTD1,029.6 million), representing a decrease of approximately 17.6% compared to the corresponding period last year. The decrease in the Group's revenue as compared to the corresponding period last year was mainly resulted from the new orders which have not yet been delivered and the expected revenue was not recognised during the period.

Since 2018, the Group has secured more international customers and orders. New progress has been made to its business in Taiwan market, which accounted for approximately 47.4% of the Group's revenue for corresponding operations, where the revenue amounted to approximately NTD401.8 million (corresponding period in 2017: approximately NTD316.6 million). Despite the decrease in revenue derived from the PRC to approximately NTD299.3 million (corresponding period in 2017: approximately NTD637.2 million), revenue generated in countries such as the United States and Japan has surged during the period, with the revenue derived from the United States increased by approximately 389.6% to approximately NTD54.7 million (corresponding period in 2017: approximately NTD11.2 million) and the revenue derived from Japan increase by approximately 699.3% to approximately NTD29.5 million (corresponding period in 2017: approximately NTD3.7 million) compared to the corresponding period last year, denoting the Group's exquisite market expansion strategy that has successfully attained market diversity.

Given the strict control implemented by the Group on costs and expenses during the period, the total comprehensive income attributable to owners of the Company amounted to approximately NTD36.7 million (corresponding period in 2017: approximately NTD35.5 million), while basic earnings per share amounted to approximately NTD3.49 cents (corresponding period in 2017: approximately NTD3.43 cents). The cost of sales of the Group amounted to approximately NTD712.0 million (corresponding period in 2017: NTD824.3 million). The decrease in cost of sales was mainly due to the decrease in the Group's revenue during the period.

During the nine months ended 30 September 2018, the Group's gross profit amounted to approximately NTD136.2 million (corresponding period in 2017: approximately NTD205.4 million), while the gross profit margin decreased by approximately 3.8% compared to the corresponding period last year to approximately 16.1% (corresponding period in 2017: approximately 19.9%). The decrease is mainly as a results of the decrease in revenue while the manufacturing overheads and direct labour costs remained similar as the corresponding period in 2017.

Outlook

The cycle of semiconductors has been proliferating because of the emergence of cloud computing, artificial intelligence and wireless communication, thus the related products are in short supply. Notwithstanding the trade wars between the United States and China which have brought about uncertainties to some extent for the semiconductor and SME sector, the Group will become more dedicated to opening up markets in different regions thereby broadening its customer base.

In view of the estimated continuous growth in demand for semiconductor products and equipment, in order to enhance productivity for the leaping market demand, the Group has commenced the expansion project for the plants in its Taiwan headquarters to ensure the production rate to remain strong. Meanwhile, as one of the leading providers and exporters in Taiwan for turnkey solution, the Group will also keep an eye on opportunities, by means of expanding its production scale and extending its product lines through acquisitions. The Group shall also study the possibility of establishing joint ventures in the PRC and accelerating its exploration into the mainland market to further support the Group's business scale and profitability.

Looking ahead, it is expected that the market in general would continue to be driven by a variety of growth factors. The Group plans to enhance its core competitiveness during the year by rationalizing the use of its existing capital, actively seeking development opportunities and upgrading as well as expanding its production capacity. In the next three years, the key strategy in the semiconductor industry is to give priority to diversification and the integration of emerging industries, followed by mergers and acquisitions as well as joint ventures, and then talent development and management. Having reinforced its existing production capacity and business structure, the Group is eager to seize new opportunities in the used SME industries in both the PRC and Taiwan to further strengthen its industry position while bringing fruitful returns for its shareholders.

Liquidity and capital resources

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the nine months ended 30 September 2017 and 2018. The cash of the Group has been, and is expected to continue to be, used primarily for the purpose of satisfying its working capital needs.

As at 30 September 2018, the borrowings of the Group totaled approximately NTD490.6 million (31 December 2017: NTD487.1 million). The gearing ratio, as calculated by dividing the Group's bank borrowings by the Group's total equity, of the Group was approximately 76.2% (31 December 2017: approximately 103.9%).

Charge on Assets

As at 30 September 2018, the Group had certain land and building which were pledged to secure the Group's long-term bank borrowings with a principal amount of NTD125.0 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 USD. As at the date of this report, the board of Directors (the "**Board**") considers that foreign currencies (mainly the United States dollar) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from the overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During the nine months ended 30 September 2018, 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 2018, the Group did not have any significant capital commitments (31 December 2017: Nil) or any significant contingent liability (31 December 2017: Nil).

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

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

Human resources

As at 30 September 2018, the Group employed approximately 137 employees. All of our staff are full-time employees and reside in Taiwan.

Remuneration of employees is reviewed annually by the Group with reference to the labour market and economic condition so that it could be maintained at a competitive level. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

Dividend

On 12 October 2018, a final dividend of HK$0.01 per share (equivalent to approximately NTD0.04) for the year ended 31 December 2017 was distributed to Shareholders whose names appear on the register of members of the Company on Friday, 6 July 2018.

The Board does not recommend any payment of dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: Nil).

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULT AND POSITION OF THE TARGET COMPANY

Set out below is the management discussion and analysis abstracted from the accountants' report of the Target Company for each of the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018, respectively:

Business and Financial Results of the Target Company

For the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and nine months period ended 30 September 2017 and 2018 respectively, the Target Company recorded:

(i) revenue of approximately NTD199.1 million, NTD111.4 million, NTD233.8 million, NTD184.0 million and NTD154.5 million respectively, which comprised of sale of heating jackets and thermal control systems mainly used in semiconductor manufacturing process. The decrease in revenue in 2016 as compared to that of 2015 was mainly attributable to decrease in sales orders and change in sales conditions, which resulted in longer acceptance periods after delivery of goods. Due to such change of sales conditions, part of the revenue from orders in 2016 was recognised in the next financial year. The increase in revenue for the year ended 31 December 2017 was primarily due to increase in orders from a major customer for its factory construction projects. As such capital expenditure is not recurrent, the orders from such major customer decreased, and revenue for the nine months ended 30 September 2018 decreased correspondingly as compared to the same period in 2017;

(ii) gross profit of approximately NTD107.0 million, NTD63.6 million, NTD118.0 million, NTD90.6 million and NTD73.9 million respectively, and gross profit margins of approximately 53.8%, 57.1%, 50.5%, 49.2% and 47.8%, respectively. Fluctuations in gross profit margin was mainly attributable to the fluctuations in profit margin per order in each of the financial year/period.

(iii) general and administrative expenses of approximately NTD15.4 million, NTD14.2 million, NTD17.7 million, NTD12.2 million and NTD14.9 million respectively. General and administrative expenses primarily comprise of sub-contracting expenses, legal and professional expenses, operating lease expenses, provision for/(reversal of) impairment of trade receivables, employee benefits expenses (including directors' remuneration), depreciation of plant and equipment, amortisation of intangible assets, transportation expenses and repair and maintenance. Fluctuation of general and administrative expenses primarily relates to fluctuation in employee benefits expenses and sub-contracting expenses. The general and administrative expenses decreased from 2015 to 2016 primarily due to decrease in number of managerial staff. As a result of increase in revenue in 2017, more bonuses were awarded to employees, leading to an increase in general and administrative expenses in 2017. General and administrative expenses further increased for the nine months ended 30 September 2018 as compared to the same period in 2017, mainly attributable to an increase in number of new customers in 2018 and consequently an increase in sub-contracting expenses, which consists of commission paid by the Target Company;

(iv) income tax expense of approximately NTD17.5 million, NTD12.2 million, NTD17.9, NTD14.1 million and NTD10.9 million respectively, which primarily comprise of current income tax and deferred income tax. The applicable corporate income tax rate where the Target Company operates and generate taxable income is 17% for the years ended 31 December 2015, 2016, 2017 and 30 September 2017 and 20% for the nine months ended 30 September 2018.

Pursuant to the Article 66-9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, the ROC, an additional income tax shall be charged at 10% for the years ended 31 December 2015, 2016, 2017 and 30 September 2017 and 5% for the nine months ended 30 September 2018 on the undistributed surplus earnings in prior years.

The effective tax rates of the Target Company for each of the years ended 31 December 2015, 2016 were 19% and 24% respectively. The relatively higher effective tax rate in 2016 was the results of the additional income tax on the undistributed surplus earnings.

The effective tax rates of the Target Company for the year ended 31 December 2017 and each of the nine months ended 30 September 2017 and 2018 remained relatively stable at 18%, 18% and 19% respectively;

(v) a profit after tax of approximately NTD75.1 million, NTD38.0 million, NTD81.9 million, NTD63.6 million and NTD46.4 million respectively. Fluctuations in profit after tax were attributable to the changes in gross profit margin as set out in paragraph (ii) above.

Financial position and other financial information of Target Company

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, the Target Company had:

(i) plant and equipment of approximately NTD2.2 million, NTD1.7 million, NTD2.6 million and NTD2.8 million respectively, which mainly comprised of machineries, leasehold improvement, furniture and fixture and motor vehicles. Depreciation charge of plant and equipment led to the decrease in plant and equipment in 2016 as compared to that in 2015. Subsequent increase in plant and equipment in 2017 and 2018 were mainly attributable to leasehold improvements due to renovation of plant and replacement of air-conditioning units;

(ii) inventories of approximately NTD17.4 million, NTD79.6 million, NTD105.2 million, and NTD111.6 million respectively which mainly represents raw materials and finished goods. Increase in inventories in 2016 was attributable to increase in finished goods as a result of adjustment in sales conditions which led to longer acceptance periods after delivery of goods. Inventories as at 31 December 2017 and 30 September 2018 further increased mainly due to increase in raw material prices and increase in finished goods in anticipation of future orders;

(iii) trade receivables of approximately NTD37.1 million, NTD52.4 million, NTD30.2 million and NTD51.3 million respectively which mainly consisted of trade receivables due from third parties, trade receivables due from related parties and loss allowance of trade receivables. Trade receivables increased from 2015 to 2016 mainly due to increase in outstanding receivables from overseas customers that require longer periods to settle. Trade receivables subsequently decreased in 2017 after settlement of payments by such overseas customers. Trade receivables as at 30 September 2018 increased compared to that of 31 December 2017, as a result of increase in outstanding receivables from overseas customers that require longer periods to settle payments; and

(iv) cash and cash equivalents and short-term bank deposits of approximately NTD111.9 million, NTD69.3 million, NTD124.9 million and NTD66.8 respectively. Decrease in cash and cash equivalents and short-term bank deposits in 2016 from that of 2015 was mainly attributable to net cash outflows from operating activities attributable to the net effect of: (i) decrease in profit before income tax, (ii) increase in inventories, (iii) increase in trade and other payables and (iv) increase in contract liabilities. For the year ended 31 December 2017, the Target Company recorded net cash inflows as a result of: (i) increase in profit before tax, (ii) decrease in inventories, (iii) increase in trade and other receivables and (iv) decrease in trade and other payables. From 31 December 2017 to 30 September 2018, cash and cash equivalents and short-term bank deposits decreased mainly attributable to the net effect of: (i) decrease in profit before income tax and (ii) decrease in trade and other receivables.

Liquidity and gearing ratio

The Target Company's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and longer term.

The Target Company's primary cash requirements have been for payment for purchases and operating expenses, including employee benefit expenses. The Target Company finances its working capital requirements are generated from operating activities.

At 31 December 2015, 2016 and 2017 and 30 September 2017 and 2018, all of the Target Company's financial liabilities including trade payables, other payables and accrued liabilities were due for settlement contractually within 12 months from the year end date.

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, as the Target Company had no bank borrowings, thus the gearing ratio, as calculated by dividing the Target Company's bank borrowings by the Target Company's total equity, was nil, nil, nil and nil respectively.

Capital Structure

The capital structure of the Target Company comprises issued share capital, statutory reserve and retained earnings. In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Contingent liabilities

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, the Target Company did not have any significant contingent liability.

Pledge of assets

As at 31 December 2015, 31 December 2016, 31 December 2017, and 30 September 2018, the Target Company did not have any pledge of assets.

Foreign exchange exposure

During the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018, most of the income and expenditures of the Target Company was denominated in NTD. The functional currency of the Target Company is NTD. In the opinion of the Target Company's directors, the exposure to foreign exchange rate risk is considered low. As such, the Target Company has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for each of the years ended 31 December 2015, 2016 and 2017 and each of the nine months ended 30 September 2017 and 2018.

Hedging

During the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018, the Target Company did not hold any financial instruments for hedging purposes.

Significant investments held

During the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018, the Target Company did not hold any significant investments.

Material acquisitions and disposals of subsidiaries and associated companies

During the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018, the Target Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

Human Resources

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, the Target Company employed a total of 41, 58, 74 and 74 employees, respectively.

In accordance with the rules and regulations in the Republic of China, the Target Company has arranged for its employees to join a defined contribution retirement benefit plan organised by the government of the Republic of China.

In addition to pension obligation, all employees of the Target Company participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administrated by the governmental authorities.

Future plans for material investments

As at 30 September 2018, the Target Company did not have any future plans for material investments or acquisitions of capital assets.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group (''Unaudited Pro Forma Financial Information''), which have been prepared on the basis of notes set out below and in accordance with Rule 7.31 of the Listing Rules, for the purpose of illustrating the effects of the Proposed Acquisition on the Group for the inclusion in this Circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Proposed Acquisition on the Group's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended 31 December 2017 as if the Proposed Acquisition had taken place on 30 June 2018 and 1 January 2017 respectively.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Enlarged Group had the Proposed Acquisition been completed as at 30 June 2018 or 1 January 2017, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2018 and other financial information included elsewhere in this Circular.

1. Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	Unaudited consolidated statement of financial position of the Group as at 30 June 2018	Pro forma adjustments: Audited statement of financial position of the Target Company as at 30 September 2018	Pro forma adjustments: Others	Pro forma adjustments: Others	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	246,244	2,822			249,066
Goodwill	—	—	101,792		101,792
Intangible assets	1,263	307	74,206		75,776
Deferred tax assets	18,984	4,228			23,212
Non-current deposits	—	47			47
Total non-current assets	266,491	7,404			449,893
Current assets					
Inventories	967,286	111,586			1,078,872
Trade receivables	158,223	51,293			209,516
Prepayments, deposits and other receivables	265,520	925			266,445
Cash and cash equivalents	127,558	66,816	(60,000)	(22,220)	112,154
Total current assets	1,518,587	230,620			1,666,987
Total assets	1,785,078	238,024			2,116,880
EQUITY					
Share capital	38,815	15,000	(15,000)		38,815
Reserves	465,277	126,515	(126,515)	(22,220)	443,057
Total equity	504,092	141,515			481,872

	Unaudited consolidated statement of financial position of the Group as at 30 June 2018	Pro forma adjustments: Audited statement of financial position of the Target Company as at 30 September 2018	Pro forma adjustments: Others	Pro forma adjustments: Others	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
LIABILITIES					
Non-current liabilities					
Bank borrowings	117,833	—	240,000		357,833
Deferred tax liabilities	—	—	17,513		17,513
Total non-current liabilities	117,833	—			375,346
Current liabilities					
Trade payables	282,982	17,843			300,825
Other payables, accruals and contract liabilities	505,025	75,259			580,284
Bank borrowings	364,415	—	—		364,415
Current tax liabilities	10,731	3,407			14,138
Total current liabilities	1,163,153	96,509			1,259,662
Total liabilities	1,280,986	96,509			1,635,008
Total equity and liabilities	1,785,078	238,024			2,116,880

2. Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2017	**Audited statement of comprehensive income of the Target Company for the year ended 31 December 2017**	**Others**		**Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
	Note 1	*Note 2*	*Note 4*	*Note 5*	
Revenue	1,238,370	233,779			1,472,149
Cost of sales	(1,001,211)	(115,806)			(1,117,017)
Gross profit	237,159	117,973			355,132
Other income	4,684	2			4,686
Other losses — net	(5,563)	(958)			(6,521)
Selling and distribution expenses	(38,695)	—			(38,695)
General and administrative expenses	(131,673)	(17,688)	(22,220)	(12,368)	(183,949)
Operating profit	65,912	99,329			130,653
Finance income	—	420			420
Finance costs	(8,478)	—			(8,478)
Profit before income tax	57,434	99,749			122,595
Income tax expenses	(19,971)	(17,871)		2,918	(34,924)
Profit for the year	37,463	81,878			87,671
Other comprehensive income					
Items that may be reclassified to profit or loss:					
— Exchange differences on translation of a foreign subsidiary	(2,899)	—			(2,899)
Total comprehensive income for the year	34,564	81,878			84,772

3. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2017	Audited statement of cash flows of the Target Company for the year ended 31 December 2017	Others		Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Cash flows from operating activities					
Cash generated from operations	1,259	111,073			112,332
Income taxes paid	(24,605)	(13,662)			(38,267)
Net cash (outflow)/inflow from operating activities	(23,346)	97,411			74,065
Cash flows from investing activities					
Payments for intangible assets	(613)	(500)			(1,113)
Interest income	198	405			603
Payments for property, plant and equipment	(1,855)	(1,708)			(3,563)
Acquisition of subsidiary	—	—	(60,000)	(22,220)	(82,220)
Net cash outflow from investing activities	(2,270)	(1,803)			(86,293)
Cash flows from financing activities					
Interest paid	(8,478)	—			(8,478)
Proceeds from bank borrowings	138,499	—			138,499
Repayments of bank borrowings	(124,495)	—			(124,495)
Proceeds from issuance of new shares	213,483	—			213,483
Share issue costs	(28,097)				(28,097)
Dividend paid	—	(40,000)			(40,000)
Net cash inflow/(outflow) from financing activities	190,912	(40,000)			150,912

		Pro forma adjustments			
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2017	Audited statement of cash flows of the Target Company for the year ended 31 December 2017	Others		Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Net increase in cash and cash equivalents	165,296	55,608			138,684
Cash and cash equivalents at the beginning of year	79,092	69,250			148,342
Effects of exchange rate changes	(2,899)	—			(2,899)
Cash and cash equivalent at end of year	241,489	124,858			284,127

Notes:

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2018 is extracted from the published interim report of the Company for the six months ended 30 June 2018. The audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 are extracted from the published annual report of the Company for the year ended 31 December 2017.

2. The audited statement of financial position as at 30 September 2018, the audited statement of comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2017 are extracted from the accountant's report as set out in the Appendix II to this Circular.

3. Pursuant to the acquisition agreement (the ''Acquisition Agreement'') dated 12 December 2018, Top Vitality Limited, a direct wholly owned subsidiary of the Company, conditionally agreed to acquired 100% equity interest in the Target Company, at a cash consideration of NTD300,000,000 (equivalent to approximately HK$75 million) and is expected to be funded by internal resources of the Group and borrowings from banks and/or financial institutions. For the purpose of preparing the Unaudited Pro Forma Financial Information, the directors assume to finance the Acquisition by drawing down a new bank loan.

   Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. The identifiable net assets of the Target Company will be accounted for in the Unaudited Pro Forma Financial Information at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised) ''Business Combination''.

The following table summarises the consideration paid, the net assets acquired and goodwill recognised as if the Acquisition had taken place at 30 June 2018:

	NTD'000
Consideration *(note a)*	300,000
Less: Carrying value of identifiable assets and liabilities of the Target Company as at 30 September 2018	141,515
Fair value adjustments on:	
— Recognition of an intangible asset *(note b)*	74,206
— Recognition of deterred income tax liabilities arising from the recognition of the intangible asset *(note c)*	(17,513)
Goodwill arising on acquisition *(note d)*	101,792

Notes:

(a) Pursuant to the Acquisition Agreement and relevant agreements, the consideration is NTD300,000,000. The consideration will be funded by way of internal funds of NTD60,000,000 and a proposed new bank financing of NTD240,000,000, subject to approval of such financing facility.

(b) The customer relationship recognised in intangible assets and assessed with a pro forma fair value of NTD74,206,000, using multi-period excess earnings method based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its projections:

— Average revenue growth rate from 2.0% to 4.1% with reference to the average performance in the past and the expected returns related to the specific customers; and

— Discount rate of 20.9% is used with reference to the current market data for comparable companies in the relevant industry.

(c) The deferred income tax liability relating to the pro forma fair value of intangible assets amounted to approximately NTD17,513,000, calculated at the Taiwan Income Tax rate of 23.6%.

(d) The pro forma fair values of the identifiable assets and liabilities, goodwill and intangible asset in relation to the Acquisition are subject to change upon the completion of purchase price allocation at the completion date of the Acquisition, which may be substantially different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have made an assessment on whether there is any impairment in respect of the intangible asset and goodwill arising from the Acquisition with reference to Hong Kong Accounting Standard 36 ''Impairment of Assets''. The Directors have taken into consideration the historical performance and the financial performance of the Target Company and synergy after the Acquisition as the key parameters and business assumptions in the valuation and the Directors have assessed the Target Company's recoverable amount based on fair value arising from the identifiable assets. Based on the assessment results, the Directors concluded that there is no impairment in the value of intangible asset and goodwill. The Company will adopt consistent accounting policies, principal assumptions and methodology (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of goodwill in future, and communicate such basis with its auditor.

4. This represents the recognition of estimated transaction costs of approximately NTD22,220,000, which is payable by the Company in connection with the Acquisition at the completion date.

5. The adjustment represents the additional amortisation of NTD12,368,000 arising from the straight line amortisation over the estimated useful life of the customer relationship as if the Proposed Acquisition had been completed on 1 January 2017. The amount of NTD2,918,000 represented the corresponding reversal of deferred tax liability relating to the customer relationship. This adjustment is expected to have a continuing effect on the Enlarged Group.

6. Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 30 June 2018 and 30 September 2018, respectively for the unaudited pro forma consolidated statement of financial position and 31 December 2017 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Genes Tech Group Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Genes Tech Group Holdings Company Limited (the ''Company'') and its subsidiaries (collectively the ''Group'') and Astro Thermal Technology Corporation (the ''Target Company'') by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2018, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2017, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017, and related notes (the ''Unaudited Pro Forma Financial Information'') as set out on pages IV-1 to IV-8 of the Company's circular dated 25 March 2019, in connection with the proposed acquisition of the Target Company (the ''Transaction'') by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-8.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2018 and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Transaction had taken place at 30 June 2018 and 1 January 2017 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the six months ended 30 June 2018 and the year ended 31 December 2017, on which no review report and an audit report has been published, respectively.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (''AG 7'') issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'').

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2018 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 March 2019

The following is the text of a valuation report received from Unicorn Appraisal and Consulting Limited, an independent valuer, for the purpose of incorporation in this circular.

Unicorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong

Phone +852 2127 4900
Email admin@unicornca.com

22 January 2019

The Board of Directors
Genes Tech Group Holdings Company Limited
Level 54., Hopewell Centre,
183 Queen's Road East,
Hong Kong

Dear Sir or Madam,

Re: Valuation of 100% Equity Interest of 崇濬科技股份有限公司 (the "Target Company")

In accordance with our terms of engagement, we attach our report setting out our independent opinion of the market value of 100% equity interest (the "**Equity Interest**") of 崇濬科技股份有限公司 (the "**Target Company**"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary as to allow us to provide you with our opinion of value, as at 30 June 2018 (hereinafter referred to as the "**Valuation Date**") for public documentation purpose.

This report outlines the purpose of valuation, premise of value, sources of information, identifies the business appraised, describes the valuation methodology of our valuation, assumptions and limiting conditions, and presents our investigation, analysis and our opinion of value.

If you have any queries concerning the report, please feel free to contact Mr. Kit Cheung (kit.cheung@unicornca.com), who would be most pleased to help.

Yours faithfully,
For and on behalf of
Unicorn Consulting and Appraisal Limited
Kit Cheung
BSc (Hons) MRICS MHKIS RPS(GP) MCIREA
REGISTERED REAL ESTATE APPRAISER PRC
Executive Director

1. INTRODUCTION

1.1 Instructions

Terms of engagement have been agreed with Genes Tech Group Holdings Company Limited (the "**Company**", the "**Client**") to provide the market value of 崇濬科技股份有限公司 (the "**Target Company**") in relation to the acquisition of the Target Company as at 30 June 2018 (the "**Valuation Date**") for public documentation purpose.

1.2 Genes Tech Group Holdings Company Limited

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 June 2016. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company are listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 14 July 2017.The Group's principal place of business is located at No. 8, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Republic of China (the "**ROC**").

The Company is an investment holding company and its subsidiaries are principally engaged in providing 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**").

1.3 崇濬科技股份有限公司

The Target Company is a company incorporated in Taiwan in July 2009. The principal activity of the Target Company is engaged in the development of the automation tools and the manufacturing of components for semiconductor machinery, such as heating jacket, Hot N2 products, and PID temperature monitor, these products are widely applied in the production process of semiconductor and LCD industries in order to prevent the machine from damaging by the by-product. The application of the heating components can reduce the frequency of maintenance, extending the using life of the production equipment.

Occupying 30% of the total market share in Taiwan and supplying 45% of total demand of TSMC (Taiwan Semiconductor Manufacturing Company, Ltd, 2330 TT), the Target Company has become the biggest heating component producer in Taiwan, and the major supplier of TSMC. The major clients of the Target Company include UMC (United Microelectronics Corporation, 2303 TT), Macronix International Co., Ltd (2337 TT), AU Optronics Corp (2409 TT), Innolux Corporation (3481 TT), and Semiconductor Manufacturing International Corporation (981 HK). The major competitors of the Target Company in Taiwan are all privately owned, major international industry peers include MKS (MKSI US) and WATLOW.

The Target Company has been holding five patents and three certificates so far, which includes, CE certificate, ISO9001 certificate, and SEMI-22 certificate. The trailing 12 months revenue of the Target Company as of June 2018 is approximately NTD200 million, and the Target Company have plans to develop new products and to expand their operation to China, targeting NTD300 million revenue and NTD100 million net income by 2020.

1.4 Industry Overview

Taiwan Semiconductor Industry

The semiconductor industry in Taiwan has been developing since 1960 and has been the major contributor to the Taiwanese economic system for more than 30 years. Taiwanese semiconductor manufacturing industry is mainly comprised of IC design, IC testing and packaging, IC manufacturing, Discrete Devices manufacturing, Optoelectronic Devices manufacturing, PCB manufacturing, foundry, DRAM and memory chips. Taiwanese government has several programs supporting the development of IC industry, including the establishment of Taiwan Semiconductor Manufacturing Co. (TSMC, 2330 TT), and United Microelectronics Corp (UMC, 2303 TT), which are the two major market leaders in Taiwan. Other major players in the market includes MediaTek (2454 TT), ASE Group (3711 TT), Winbond (2344 TT), and NANYA (2408 TT).

Industrial Economics and Knowledge Center (IEK), which is the Taiwanese government-sponsored research institute, indicates that the production value of the Taiwanese semiconductor industry was NTD2.46 billion in 2017, making it the third largest in the world, after the United States and South Korea. Besides, IEK estimates the production value of the nation's semiconductor industry to achieve NTD2.64 trillion (US$87.5 billion) in year 2018, representing a 7.1 percent growth. The fast development of Artificial Intelligence of Things (AIoT) and the combination of AIoT and Internet of Things (IoT) is pointed out to be the major catalyst boosting Taiwan's semiconductor industry, and by 2020 the annual output is expected to reach NTD3 trillion (US$91 billion).

According to the Industrial Technology Research Institute (ITRI), Taiwan has been occupying 50 percent of the global market share of IC packaging and testing segment, and has been commanding a 70% market share in foundry manufacturing sector. Moreover, Taiwan accounts for 20 percent of global IC design value and is the number-four memory chip maker with 10 percent of the market share. IC packaging and testing is estimated to reach NTD487.8 billion in 2018, a 2.3 percent annual increase, and the IC design segment is forecast to hit NTD641.7 billion in 2018, representing 4 percent growth. Chip fabrication is projected as reaching NTD1.48 trillion in 2018, an increase of 8.1 percent over 2017. According to a report in EET Asia, leading Taiwan-based IC manufacturers TSMC, UMC, and Powerchip Technology Co (5346 TT) together accounted for 62 percent of semi-conductor foundry sales in 2017. The China market is the base for Taiwanese IC design firms. In contrast, American companies are the chief customers for Taiwanese foundries as well as the IC packaging and testing operations.

Semiconductor Industry in China

China is the largest consumer of semiconductors in the world, the consumption was close to US$60 billion in 2017. However, Chinese IC industry cannot fulfil the strong domestic demand, it currently relies mainly on semiconductor imports. The strong demand is driven by the thriving of mobile industry, leading by OPPO, Huawei and Vivo. In a government statement "Made in China 2025". The Chinese government will inject RMB19.5 billion into the IC industry, targeting IC industry to generate US$60 billion output and gain 35% share of the global IC design market by 2025. China also aims to achieve a self-sufficiency rate of 40% for IC industry by 2020 and 70% by 2025. Nowadays, around 16% of IC products used in China are domestically made. The major companies in the industry include Tsinghua Unigroup, Shenzhen Hisilicon Co., Ltd. and HuaDa Semiconductor Co., Ltd.

According to a research conducted by a well-established multinational accounting firm, the semiconductor industry in China grew with a CAGR of 18.7% from 2005–2015. At the same time, the global semiconductor market grew with a CAGR of 4%. Wafer fabrication has been a point of emphasis within the China semiconductor industry, which accounts for 12.7% total share of global wafer fabrication. Since 2015, China has surpassed Taiwan in terms of annual output value for IC design sector. China is also closing the gap with Taiwan in other area such as IC packaging and testing. However, recording a US$34 billion in 2017, the total production value of China's IC industry still lags behind Taiwan's US$82 billion. Unlike the international reach of Taiwan's company, which has long relationship with clients like Apple, Qualcomm, and Intel, China's semiconductor companies rely heavily on domestic demand, especially for mobile devices (China is the world's largest smartphone market).

The growth of semiconductor industry in China is an opportunity as well as a threat for IC industry peers in Taiwan. According to TrendForce, half of Taiwan's IC product exports to China, and over 50 percent of semiconductors worldwide are shipped to China for product assembly. The rapid growth of Chinese semiconductor industry will lead to a shortage of producing machinery and equipment, which will be compensated by imported through overseas. This situation will benefit industry peers in the whole IC supply chain including Taiwanese applied material related companies and equipment producers.

1.5 Valuation Date

The Valuation Date is advised to be 30 June 2018.

1.6 Basis of Valuation

The valuation report is carried out pursuant to the instructions by the Company for public documentation purpose.

The valuation and report has been prepared in accordance with the Business Valuation Standards (First Printed 2005) — Published by the Hong Kong Business Valuation Forum and the International Valuation Standard 2017 published by the International Valuation Standards Council, where applicable.

Our valuation is based on the going concern premise and conducted on a market value basis. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

1.7 Confidentiality

Unicorn Consulting and Appraisal Limited shall at all times keep all information relating to this valuation report confidential and not release it to third parties, without the written consent of the client.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representative (together referred to as the "**Management**").

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

(a) Discussion with the Management and obtained relevant financial and operational information in respect of the Target Company;

(b) Examined the relevant basis and assumptions of the financial information in respect of Target Company provided by the Management;

(c) Conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and

(d) Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

3. SOURCES OF INFORMATION

In conducting our valuation of the Target Company, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

(a) Background of the Target Company and relevant corporate information;

(b) Financial statements of the Target Company as at 30 June 2018;

(c) Financial statements for the year 2015, 2016, and 2017;

(d) Bloomberg database and other reliable sources.

We assumed that the data and information we obtained in the course of this valuation, along with the opinions and representations provided by the management are accurate and true and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us untrue, inaccurate and misleading.

4. VALUATION ASSUMPTIONS AND RATIONALE

For the purpose of determining the value of the market value of the Target Company, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

(a) We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;

(b) We have assumed that the conditions in which the business is being operated and which are material to revenue and costs of businesses will have no material change;

(c) We have assumed that the information has been prepared on a reasonable basis after due and careful consideration by the Management;

(d) We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Company;

(e) We have assumed that all licenses and permits that is essential for the operation of Target Company can be obtained and are renewable upon expiry;

(f) We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

5. VALUATION METHODOLOGY

5.1 Selection of Valuation Approach

There are three generally accepted approaches to assess the market value of the Target Company, namely, the Market Approach, the Cost Approach, and the Income Approach. Each of these approaches is appropriate in one or more circumstances. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing subject assets that are similar in nature.

Market Approach

Market approach is relatively the most straightforward valuation method in determining market value of assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price-to-earnings ("**P/E**") ratio, price-to-sales ("**P/S**") ratio and price-to-book ("**P/B**") ratio) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value.

The Target Company has sufficient track records. As advised by the Company, the Target Company is expected to sustain its existing business operations in the foreseeable future. Therefore, we have considered that market approach is the most optimal approach for valuing the Target Company

Cost Approach

Cost Approach values the asset by reference to the accumulating costs that would be incurred in order to replace or reproduce the asset in its current condition. This approach is not considered to be an appropriate approach for valuing income-generating assets as generally it does not capture expected returns to the asset.

We have decided against cost approach because the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business and the off-balance sheet items of the business. Therefore, this method is not appropriate in this valuation.

Income Approach

Income Approach values the asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the life of the asset. This approach estimates the future economic benefits and discounts these benefits to its present value using an appropriate discount rate for all risks associated with realizing those benefits. We have also considered that the income approach is not the most optimal to value the Target Company as this approach involves financial forecast information and the adoption of much more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

5.2 Valuation Procedures and Parameters Adopted in Market Approach

Guideline Public Company Method

The premise behind the Guideline Public Company Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry. In applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each Guideline Public Company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the subject company being valued. This valuation multiple is then applied to the subject company being valued to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that using a comparative company's market value as at the Valuation Date as the numerator and a measure of the company's operating results (or financial position) as the denominator.

The P/S Ratio is considered not appropriate for this valuation since sales revenue does not consider the cost structure and profitability of a Company (which are considered primary factors affecting the value of a company of the same kind). Besides, the Target Company has recorded very fluctuate revenue during past three financial years, the revenue dropped by roughly 50% in financial year 2016, and increased almost 250% in financial year 2017. As a result, we have considered the result calculated from P/S ratio inadequate and inaccurate.

The P/E ratio considers the cost structure as well as profitability (which are considered primary indicator affecting the value of a company of the same kind) of a company, it is a common valuation method for the assessment of companies' value with profitable businesses. However, the Target Company has recorded very fluctuate net income during past three financial years, the net income dropped by roughly 40% in financial year 2016, and increased dramatically by around 270% in financial year 2017. As a result, we have made a decision not to use P/E ratio to calculate the equity value as there is high possibility that the result is inaccurate.

P/B ratio is considered appropriate for this valuation on the ground that the Target Company, which cannot be valued accurately by using P/E and P/S ratio. P/B ratio is used on valuation when the Target Company has recorded a negative income, or the future growth of the Target Company significantly depends on the ability of generating profit from its asset. We consider the P/B ratio the most suitable method to be conducted in this valuation.

Once we have selected certain Guideline Public Companies and make the necessary adjustments to their financial information if needed, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected Guideline Public Companies. The process of computing the valuation multiple in this case consists of the following procedures:

(a) Determination of the equity value for each Guideline Public Companies as at the Valuation Date. The equity value for each Guideline Public Companies, which is the market capitalization, is made reference to Bloomberg as at the Valuation Date.

(b) Determination of the measure of operating result, which is net asset value as at the valuation date. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of Guideline Public Companies that are similar enough to the underlying business of the Target Company so as to provide a meaningful comparison. We exercised due care in the selection of Guideline Public Companies by using reasonable criteria in deciding whether a particular Guideline Public Company is relevant. When the similarity between the subject company and the Guideline Public Companies is so low that a meaningful comparison cannot be made, we would then question the use of this Guideline Public Company Method.

The Comparable Companies

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Guideline Public Companies, we started with a description of the potential companies, in terms of lines of business, market location of business, financial result and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria have to be set to ensure similarity between the guideline public companies and the Target Company.

Firstly, it is focused to identify listed companies which principally engaged in making automation tools, components, or functions that will be used in the producing process of IC manufacturing industry. This criterion has been adopted because the principal business of the Target Company is making automated temperature controlling system, which is a component being used in the producing equipment. Secondly, the PPE to total asset ratio of comparable companies has been taken into consideration. The Target company has a less than 10% PPE to total asset ratio, the number is relatively small when comparing to peers in semiconductor industry, we consider this feature unique and needed to be taken into consideration when selecting suitable comparable companies, we then filtered those comparable companies with PPE to total asset ratio, only considering company who has a less than 20% PPE to total asset ratio as a suitable comparable company. These criteria would keep the selection having similar operation as the Target Company. As a result, listed companies with similar asset structure and similar business exposure in relation to the manufacture of automation tools, components and functions used in IC manufacturing were identified. Afterwards, more thorough studies have been carried out to confine the selection of guideline public companies. Given the above, we consider this selection basis is reasonable and the sample list is fair and representative.

As a result, the comparable companies were selected with reference to the criteria as follows:

- The comparable companies are listed in stock exchange;
- The comparable companies have been operating for more than ten years, and at least three years financial reports can be accessed;
- The comparable companies derive more than 75% of total revenue from making automation tools, components and functions used during the IC manufacturing process;
- The comparable companies have a less than 20% PPE to total asset ratio; and
- The financial information of the comparable companies is available to the public.

We then identified 5 comparable companies which are comparable to the Target Company with the aforesaid criteria and calculated P/B ratio of each comparable company. The following is the exhaustive list of the comparable companies that we have selected in connection with the valuation of the Equity Interest.

Details of the Comparable Companies are listed as follows:

Company Name	Ticker	Business Description
MKS Instruments, Inc	MKSI US Equity	MKS Instruments, Inc. (''**MKS**'') develops, manufactures, and supplies instruments, automation solutions and components used to control and analyze gases in semiconductor and similar industrial manufacturing processes. MKS has 7% PPE to total asset and they generate almost 100% revenue from above mentioned business.

Company Name	Ticker	Business Description
Mecaro Co., Ltd	241770 KS Equity	Mecaro Co., ("**Mecaro**") Ltd. operates as a semiconductor spare parts manufacturing company. Mecaro develops and sells semiconductor process heater blocks, chemical precursor usceptors, and other products used in machinery equipment. The PPE to total asset is 16% for Mecaro and 99% of total revenue is from the manufacturing of precursor and temperature controlling solutions.
Gallant Precision Machining Co., Ltd	6640 TT Equity	Gallant Precision Machining Co., ("**Gallant**") Ltd. manufactures industrial machinery equipment mainly used in semiconductor manufacturing. Gallant produces mold parts, automation equipment, laser equipment, grinding machines, and other equipment. The PPE to total asset of Gallant is 13% and 90% of the total revenue are generated from the equipment been used in semiconductor manufacturing.
Lumax International Corp., Ltd	6192 TT Equity	Lumax International Corp., Ltd. ("**Lumax**") mainly provides hardware and software that manages and controls manufacturing facilities. Lumax provides products for petrochemical, power and semiconductor clients in China and Taiwan. Their products are used in process control and automation tools area in manufacturing facilities. The PPE to total asset is 16%, and 75% revenue comes from equipment and component used in semiconductor manufacturing.

Company Name	Ticker	Business Description
Brooks Automation, Inc.	BRKS US Equity	Brooks Automation, Inc. ("**Brooks**") delivers automation solutions to the global semiconductor and related industries. Brooks provides automation solutions regarding cooling system, pressure control and vacuum quality. Brooks helps semiconductor manufacturers optimize throughput, yield, and cost reduction. The PPE to total asset is 8% and 78.5% of total revenue generated from semiconductor automation sector.

Source: Bloomberg and Financial Reports of the Comparable Companies

The above comparable companies, together with the Target Company, are similarly subject to fluctuations in the economy and performance of overall IC manufacturing sector, among other factors. Thus, we consider they are confronted with similar industry risks and returns.

Details of the valuation multiples for the comparable companies:

Ticker of the company	*P/B Ratio*
MKSI US Equity	3.07
241770 KS Equity	2.43
6640 TT Equity	1.83
6192 TT Equity	1.59
BRKS US Equity	3.30
Median	2.43

Source: Comparable Companies' filings, Bloomberg

Details of the market value of the Target Company:

Selected Valuation Multiple (P/B Ratio)		2.43
Book Value as at 30th June 2018 (NTD)		125,473,000
Calculation by P/B ratio		
Market Capitalization of the Target Company derived by P/B ratio		304,285,000
Add: Control Premium	27.80%	84,591,000
Equity Value after Control Premium		388,876,000
Less: Discount for Lack of Marketability ("**DLOM**")	21.85%	(84,969,000)
Equity Value after Control Premium and DLOM		304,000,000
Market Value of 100% Equity Interest of 崇濬科技股份有限公司 (Rounded)	NTD	**304,000,000**

Control Premium

Premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. The thousands of daily transactions on stock exchanges are, of course, minority interest transactions. Each year, a controlling interest in a few hundred of these public companies is purchased at a price that is substantially higher than the published market price of the securities. The public markets provide information on control premiums through acquisition transactions. When a controlling interest in a publicly traded firm is acquired and taken private, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium.

When valuing the Target Company based on Guideline Public Company Method, the level of value is presented on freely traded and non-controlling basis. A premium for control reflects the degree of control associated with a 100% equity interest of the Target Company. To estimate the control premium applicable to the Target Company, we relied on indications of control premium from data on acquisition transactions in the Electrical and Electronic Machinery and Equipment industry, extracted from FactSet Mergerstat Control Premium Study. Based on the research published by Mergerstat Control Premium Study (I), after filtering the outliers, a 27.80% control premium on equity value level is considered to be appropriate.

Note:

Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and software company founded in 1978, went public in 1996 and currently dual listed on the NewYork Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Barrons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.

*Discount for Lack of Marketability ("**DLOM**")*

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the valuation, with reference to the 2016 edition of the "FMV Restricted Stock Study Companion Guide", published by Business Valuation Resources and it is an all-inclusive online database that provides empirical support to determine discounts for lack of marketability. Taking reference to this resource is a common practice while conducting valuation work, therefore we considering the credibility of this resource high. In this valuation, a discount for lack of marketability of 21.85% was adopted.

The 2016 version is the latest resource we have while conducting the valuation, we have compared the 2016 version with 2018 version. The current adopted amount is 21.85%, while the DLOM quoted from the 2018 version is 20.70%, which will change the valuation result from NTD304,000,000 to NTD308,000,000, Considering the valuation result did not change significantly, we took 2016 edition as reference and we consider it fair and reasonable.

6. Currency

Unless otherwise stated, all money amounts stated in this report are in New Taiwan Dollar (NTD).

7. Valuation Conclusion

In our opinion, on the basis of the assumption and information make available to us, the value in use of the Subject Assets of the Target Company as at 30 June 2018 is reasonably estimated at:

NTD 304,000,000

(NEW TAIWAN DOLLAR THREE HUNDRED AND FOUR MILLION ONLY)

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, you are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

Our opinion of the value in use of the Subject Asset in this report is valid only for the stated purpose and only for the effective date of the appraisal. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

For and on behalf of
Unicorn Consulting and Appraisal Limited

Kit Cheung
BSc (Hons) MRICS MHKIS RPS(GP) MCIREA
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner	27,975,000 Shares (long position)	2.79%
	Interest in persons acting in concert *(note)*	654,075,000 Shares (long position)	65.41%
		682,050,000 Shares (long position)	68.20%
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner	19,125,000 Shares (long position)	1.19%
	Interest in persons acting in concert *(note)*	662,925,000 Shares (long position)	66.29%
		682,050,000 Shares (long position)	68.20%
Mr. Fan Chiang-Shen ("Mr. Fan")	Beneficial owner	2,925,000 Shares (long position)	0.29%
	Interest in persons acting in concert *(note)*	679,125,000 Shares (long position)	67.91%
		682,050,000 Shares (long position)	68.20%

Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Lin Yen-Po (“Mr. Lin”)	Beneficial owner	1,200,000 Shares (long position)	0.12%
	Interest in persons acting in concert *(note)*	680,850,000 Shares (long position)	68.08%
		682,050,000 Shares (long position)	68.20%

Note: Pursuant to the concert party agreement dated 22 August 2016 (the "**Concert Party Agreement**"), Mr. Yang, Ms. Wei, Mr. Fan, Mr. Lin and Tai Yi have agreed with certain arrangement pertaining to their shareholding. Further information on the terms and conditions of the Concert Party Agreement is set forth in the section headed "Relationship with Controlling Shareholders — Summary of the Concert Party Agreement" in the Prospectus. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations controlled by the Concert Parties.

(b) Interests of substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Queenbest *(note 1)*	Beneficial interest	374,625,000 Shares (long position)	37.46%
Ever Wealth *(note 2)*	Beneficial interest	81,150,000 Shares (lone position)	8.11%
Planeta *(note 3)*	Beneficial interest	63,750,000 Shares (long position)	6.38%
Tai Yi *(note 4)*	Beneficial interest	111,300,000 Shares (long position)	11.13%
	Interest in persons acting in concert *(note 5)*	570,750,000 Shares (long position)	57.07%
		682,050,000 Shares (long position)	38.20%

Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Chen Yuan-Chi *(note 6)*	Interest of a controlled corporation *(note 6)*	682,050,000 Shares (long position)	68.20%
Double Solutions *(note 7)*	Beneficial interest	67,950,000 Shares (long position)	6.80%
Ms. Chan Suk Sheung Rembi *(note 8)*	Interest of a controlled corporation	67,950,000 Shares (long position)	6.80%

Notes:

1. Queenbest is a company incorporated in the British Virgin Islands. As at the Latest Practicable Date, it was held by 45 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 5.1% of its shareholding. The other shareholders were mainly employees and ex-employees of the Group and each held interests ranging from approximately 0.02% to 7.3%.

2. Ever Wealth is a company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, it was held by nine individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and Mr. Lin was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of the Group and each held interests ranging from approximately 1.0% to 15.0%.

3. Planeta is a company incorporated in Anguilla. As at the Latest Practicable Date, 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. Fan was interested in approximately 10.7% and Mr. Lin was interested in approximately 17.8% of its shareholding. The other shareholders were mainly employees of the Group who were independent third parties (as defined under the GEM Listing Rules) (''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 Latest Practicable Date, it was held by six individual shareholders.

5. Each of Tai-Yi and Mr. Lin is a party to the Concert Party Agreement, details of which are set out in the section headed ''Relationship with Controlling Shareholders — Summary of the Concert Party Agreement'' in the Prospectus. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations controlled by the Concert Parties. Mr. Yang, Tai Yi, Ms. Wei, Mr. Fan and Mr. Lin are a group of controlling shareholders (as defined under the GEM Listing Rules).

6. Mr. Chen Yuan-Chi (陳源基) is interested in approximately 33.33% shareholding in Tai Yi and he is deemed to be interested in these Shares pursuant to Part XV of the SFO.

7. Double Solutions is incorporated in the Republic of Seychelles, the entire issued shares of which are held by Independent Third Parties.

8. Ms. Chan Suk Sheung Rembi is interested in 90.0% of the shares in issue of Double Solutions and she is deemed to be interested in these Shares pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Enlarged Group which is not expiring or terminable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the compliance adviser of the Company, the Directors or controlling shareholder of the Company or their respective close associates (as defined in the GEM Listing Rules) was interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

7. DISCLOSURE OF OTHER INTERESTS

As at the Latest Practicable Date,

(a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group; and

(b) none of the Directors in this appendix had any direct or indirect interest in any assets which had been, since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Enlarged Group have been entered into by the members of the Enlarged Group during the period commencing two years preceding the date of this circular and are or may be material:

(a) the SPA;

(b) the public offer underwriting agreement dated 29 June 2017 entered into by, among others, the Company, the executive Directors, the Controlling Shareholders (as defined in the Prospectus) and Ample Capital Limited, Ample Orient Capital Limited and ChaoShang Securities Limited relating to the Public Offer(as defined in the Prospectus); and

(c) the deed of indemnity dated 20 June 2017 and entered into by Queenbest and Mr. Yang in favour of the Company (for itself and as trustee for each of its then subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, to which the Group may be subject on or before 14 July 2017.

9. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members, Mr. Cheng Chun Shing (who is the chairman), Mr. Kam Leung Ming and Mr. Ho Pack Chuen Brian, being all the independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process, audit plan and relationship with external auditors, the internal control systems of the Group and to provide advices and recommendations to the Board for review and follow-up.

Mr. Cheng Chun Shing (鄭鎮昇), aged 44, was appointed as our independent non-executive Director on 20 June 2017. Mr. Cheng obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 1997 in Hong Kong and a Master degree of Business Administration (Executive Master of Business Administration Programme) from The Chinese University of Hong Kong in November 2018. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in January 2001 and was admitted a fellow member in October 2014. He has also been an associate member of the Institute of Chartered Accountants in England and Wales since January 2008. Mr. Cheng has extensive experience in accounting, auditing, and corporate financial management for about 17 years. He has over 12 years of audit experience in international accounting firms. Mr. Cheng currently serves as a financial controller and company secretary of BeijingWest Industries International Limited (京西重工國際有限公司) (stock code: 2339), a company listed on the Main Board of the Stock Exchange. From April 2015 to 27 February 2017, Mr. Cheng was served as company secretary and chief financial officer of Royal China International Holdings Limited (皇中國際控股有限公司) (stock code: 01683), a company listed on the Main Board of the Stock Exchange. Mr. Cheng is primarily responsible for overseeing the overall financial management of our Group and company secretarial matters. Mr. Cheng was also the company secretary and group financial controller of Sustainable Forest Holdings Limited (永保林業控股有限公司) (stock code: 723), a company listed on the Main

Board of the Stock Exchange, during the periods from September 2012 to September 2014 and November 2011 to December 2014, respectively, and was principally engaged in the ownership and management of forest plantation trees, the sale of timber logs, and manufacturing of engineered-wood products.

Mr. Kam Leung Ming (甘亮明), aged 44, was appointed as our independent non-executive Director on 20 June 2017. Mr. Kam obtained a Bachelor's degree in Accountancy and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in November 2010. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England and Wales, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Kam has over 20 years of experience in auditing, professional accounting, financial management and business administration. Mr. Kam was the company secretary of Get Nice Holdings Limited (stock code: 00064), from 28 April 2011 to 7 April 2016 and was appointed as the executive director and company secretary on 28 April 2017, a company listed on the Main Board of the Stock Exchange. He was the executive director and company secretary of Get Nice Financial Group Limited (stock code: 01469) from 24 September 2015 to 28 April 2017, a company listed on the Main Board of the Stock Exchange, where he was primarily responsible for management of the finance and accounting division as well as serving as the company secretary. Mr. Kam worked for Hutchison Harbour Ring Industries Limited, a member of Hutchison Harbour Ring Limited, a company listed on the Main Board of the Stock Exchange (now known as China Oceanwide Holdings Limited) (stock code: 00715), as the PRC finance manager from 25 April 2006 to 10 May 2007 and Mandarin Entertainment (Holdings) Limited (now known as Nine Express Limited) (stock code: 00009), a company listed on the Main Board of the Stock Exchange, as the financial controller from 1 November 2007 to 31 October 2008. He was an independent non-executive director of Casablanca Group Limited (stock code: 02223) from 1 April 2016 to 26 May 2017 and was also appointed as an independent non-executive director of Ever Harvest Group Holdings Limited (stock code: 01549) on 1 November 2016, all of the above companies are listed on the Main Board of the Stock Exchange. Mr. Kam was appointed as the committee member of Chinese People's Political Consultative Conference Shanghai Committee (Baoshan District) in December 2016.

Mr. Ho Pak Chuen Brian (何百全), aged 45, was appointed as our independent non-executive Director on 20 June 2017. Mr. Ho obtained the Bachelor of Commerce degree in April 1995 and the Bachelor of Laws degree in March 1997, both from Monash University, Australia and a Master's Degree of Business Administration from the University of Sydney, Australia and University of New South Wales, Australia in January 2009. He was admitted as a barrister and solicitor of the supreme court of Victoria, Australia in 1997 and a solicitor of the High Court of Hong Kong in 2000. He became a member of CPA of Australia in 2004. Mr. Ho has over 16 years of experience in corporate finance and law. He is currently a partner of Howse Williams Bowers, a law firm in Hong Kong. Mr. Ho was working as a Vice President — Corporate Finance at Cazenove Asia Limited, which has been acquired by Standard Chartered (Hong Kong) Limited, between 2 June 2007 and 4 February 2009, as an Associate Director and subsequently as a Director of Equity Corporate Finance Department at Standard Chartered (Hong Kong) Limited. Prior to 2007, he has worked in the corporate department of various international and local law firms in Hong Kong.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given advice contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified public accountants
Unicorn Consulting and Appraisal Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts above were beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up).

11. GENERAL

(a) The company secretary of the Company is Ms. Yuen Wing Yan, Winnie who is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The compliance officer of the Company is Ms. Wei Hung-Li, who is an executive Director and one of the controlling shareholders (as defined under the GEM Listing Rules).

(c) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular and the proxy form shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excluded) at the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the memorandum of association and articles of association of the Company;

(ii) the Prospectus;

(iii) the annual report of the Company for the year ended 31 December 2017;

(iv) the first quarterly report of the Company for the three months ended 31 March 2018;

(v) the interim report of the Company for the six months ended 30 June 2018;

(vi) the third quarterly report of the Company for the nine months ended 30 September 2018;

(vii) the accountant's report of the Target Company from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(viii) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(ix) the valuation report of the Target Company issued by Unicorn Consulting and Appraisal Limited, the text of which is set out in Appendix V to this circular;

(x) the written consents from the experts as referred to in the paragraph headed "Experts and Consents" in this appendix;

(xi) the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix; and

(xii) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of Genes Tech Holdings Company Limited (the "**Company**") will be held at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong on Wednesday, 17 April 2019 at 11:00 a.m. for the following purposes. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 25 March 2019 of which the notice convening the EGM forms part.

To consider and, if thought fit, pass with or without modification, the following resolutions which will be proposed, as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the SPA entered into among the Sellers and the Buyer (a copy has been produced at this meeting marked "A" and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder are hereby approved, confirmed and ratified; and

(b) the Directors be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the SPA and the transactions contemplated thereunder."

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

Hong Kong, 25 March 2019

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Level 54., Hopewell Centre,
183 Queen's Road East,
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting or at any adjournment thereof, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.

4. For determining the eligibility of the Shareholders to attend and vote at EGM, the register of members of the Company will be closed from Friday, 12 April 2019 to Wednesday, 17 April 2019, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM, all transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m on Thursday, 11 April 2019.

5. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting or any adjournment thereof if they so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

6. References to time and dates in this notice are to Hong Kong time and dates.

7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.