



nichetech

NICHE-TECH SEMICONDUCTOR
MATERIALS LIMITED
駿碼半導體材料有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8490)

INTERIM REPORT 2024



駿碼科技集團
nichetech
港交所上市編號8490



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This report, for which the board (the “**Board**”) of directors (the “**Directors**”) of Niche-Tech Semiconductor Materials Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended	
		30.6.2024 HK\$'000 (unaudited)	30.6.2023 <i>HK\$'000</i> (unaudited)
Revenue	4	108,966	101,554
Cost of sales		(82,861)	(76,142)
Gross profit		26,105	25,412
Other income, other gains and losses	5	2,876	3,031
Net impairment losses reversed under expected credit loss model		71	24
Selling and distribution expenses		(5,605)	(5,480)
Administrative expenses		(15,584)	(16,931)
Finance costs	6	(3,026)	(1,429)
Profit before taxation		4,837	4,627
Income tax expense	7	(2,675)	(3,508)
Profit for the period	8	2,162	1,119

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30.6.2024	30.6.2023
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other comprehensive (expense)/income		
Item that will not be reclassified to profit or loss:		
Exchange differences arising on translation from functional currency to presentation currency	(6,828)	(13,246)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	1,327	2,936
Other comprehensive expense for the period	(5,501)	(10,310)
Total comprehensive expense for the period	(3,339)	(9,191)
Earnings per share		
– basic (<i>HK cents</i>)	10 0.31	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
NON-CURRENT ASSETS			
Plant and equipment	11	32,112	35,784
Right-of-use assets		12,731	13,626
Intangible assets	11	113,292	118,445
Deposits paid for acquisition of plant and equipment and intangible assets		30,102	5,000
Rental deposits		755	758
Deferred tax assets		1,521	1,553
		190,513	175,166
CURRENT ASSETS			
Inventories		38,128	37,445
Trade and bills receivables	12(a)	115,670	113,420
Other receivables, prepayments and deposits	12(b)	8,606	5,133
Bank deposits		–	17,900
Bank balances and cash		21,074	9,068
		183,478	182,966
CURRENT LIABILITIES			
Trade and other payables	13	16,973	19,973
Contract liabilities		392	174
Lease liabilities	15	4,482	4,097
Deferred income		1,256	1,286
Tax payable		1,545	3,578
Bank borrowings	14(a)	76,336	60,069
Bank overdraft	14(b)	17,891	23,219
		118,875	112,396
NET CURRENT ASSETS		64,603	70,570
TOTAL ASSETS LESS CURRENT LIABILITIES		255,116	245,736

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Bank borrowings	14(a)	25,389	10,989
Lease liabilities	15	10,636	11,637
Deferred income		1,492	2,172
		37,517	24,798
NET ASSETS			
		217,599	220,938
CAPITAL AND RESERVES			
Share capital	16	7,055	7,055
Reserves		210,544	213,883
TOTAL EQUITY			
		217,599	220,938

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total equity HK\$'000
At 1 January 2023 (audited)	7,055	122,507	100,000	1	(17,601)	14,341	2,350	228,653
Profit for the period	-	-	-	-	-	-	1,119	1,119
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(13,246)	-	-	(13,246)
Exchange differences arising on translation of foreign operations	-	-	-	-	2,936	-	-	2,936
Total comprehensive (expense)/income for the period	-	-	-	-	(10,310)	-	1,119	(9,191)
At 30 June 2023 (unaudited)	7,055	122,507	100,000	1	(27,911)	14,341	3,469	219,462
At 1 January 2024 (audited)	7,055	120,955	100,000	1	(24,274)	17,537	(336)	220,938
Profit for the period	-	-	-	-	-	-	2,162	2,162
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(6,828)	-	-	(6,828)
Exchange differences arising on translation of foreign operations	-	-	-	-	1,327	-	-	1,327
Total comprehensive (expense)/income for the period	-	-	-	-	(5,501)	-	2,162	(3,339)
At 30 June 2024 (unaudited)	7,055	120,955	100,000	1	(29,775)	17,537	1,826	217,599

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2024 HK\$'000 (unaudited)	30.6.2023 HK\$'000 (unaudited)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	5,532	(7,566)
NET CASH USED IN INVESTING ACTIVITIES	(29,203)	(20,244)
NET CASH FROM FINANCING ACTIVITIES	22,318	23,016
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,353)	(4,794)
Effect of foreign exchange rate changes	787	(617)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,749	34,575
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,183	29,164
Represented by:		
Bank deposits	–	18,167
Bank balances and cash	21,074	41,553
Bank overdraft	(17,891)	(30,556)
	3,183	29,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares (the “**Shares**”) of the Company have been listed on GEM since 30 May 2018.

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

The functional currency of the Company is Renminbi (“**RMB**”). The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) as the Group’s management believes HK\$ is the appropriate presentation currency for the users of the condensed consolidated financial statements.

2. BASIS OF PREPARATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2023.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 January 2024, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial positions.

4. REVENUE AND SEGMENT INFORMATION

An analysis of revenue by major products is as follows:

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bonding wire	58,267	52,614
Encapsulant	46,816	45,555
Others	3,883	3,385
	108,966	101,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its products and its sole operating segment is the development, manufacture and sales of semiconductor packaging materials. The CODM monitors the revenue, results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies that are in accordance with HKFRSs, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

Geographical information

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

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC excluding Hong Kong	102,823	101,061
Hong Kong	5,761	200
Overseas	382	293
	108,966	101,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2024 HK\$'000 (unaudited)	30.6.2023 HK\$'000 (unaudited)
Bank interest income	34	366
Government subsidy income	1,623	786
Net foreign exchange gains	1,183	1,829
Others	36	50
	2,876	3,031

6. FINANCE COSTS

	Six months ended	
	30.6.2024 HK\$'000 (unaudited)	30.6.2023 HK\$'000 (unaudited)
Bank charges	74	–
Interests on bank borrowings	1,028	150
Interests on bank overdraft	634	44
Interests on discounted bills with recourse	420	320
Interests on lease liabilities	499	341
Interests on trust receipt loans	932	574
	3,587	1,429
Less: amounts capitalised in the cost of qualifying assets (note)	(561)	–
	3,026	1,429

Note: For the six months ended 30 June 2024, borrowing cost arising from the funds borrowed specifically for the purpose of obtaining qualifying assets was capitalised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The income tax expense comprises:		
PRC Enterprise Income Tax (“EIT”)		
– Change for the period	2,021	2,239
– Withholding tax	648	1,969
– Under (over) provision in prior years	6	(700)
	2,675	3,508

Under the Law of the PRC on EIT (“EIT Law”) and Implementation Regulation of the EIT Law, the standard tax rate of PRC entities is 25% for both periods. Pursuant to the relevant laws and regulations in the PRC, 汕頭市駿碼凱撒有限公司 is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for the periods end 30 June 2024 and 2023.

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

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

Pursuant to the rules and regulations of the BVI and Cayman Islands, the relevant group entities are not subject to any income tax in these jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2024	30.6.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	288	272
Other emoluments, salaries and other benefits	3,069	2,690
Retirement benefit scheme contributions	28	29
	3,385	2,991
Other staff costs:		
Staff salaries and allowances	13,574	13,828
Retirement benefit scheme contributions	1,448	1,377
	15,022	15,205
Total staff costs	18,407	18,196
Capitalised in intangible assets	(2,013)	(1,613)
Capitalised in inventories	(4,398)	(4,717)
	11,996	11,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of plant and equipment (including amounts capitalised in inventories and intangible assets)	3,061	3,439
Amortisation of intangible assets (including amounts capitalised in inventories)	7,873	5,016
Depreciation of right-of-use assets (including amounts capitalised in inventories and intangible assets)	2,129	1,928
Auditors' remuneration	495	660
Cost of inventories recognised as cost of sales	82,861	76,142
Research and development costs (excluding depreciation and staff costs) recognised as expenses (included in administrative expenses)	215	117
Expenses relating to short term leases	56	15

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the year ending 31 December 2024 (six months ended 30 June 2023: nil).

10. EARNINGS PER SHARE

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

Earnings:

Earnings for the purpose of basic earnings per share:
profit for the period attributable to owners of the Company

	2,162	1,119
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Number of shares:

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

	705,500,000	705,500,000
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No diluted earnings per share is presented for periods ended 30 June 2024 and 2023 as there is no potential ordinary shares in issue during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. MOVEMENTS IN PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current interim period, the Group acquired plant and equipment and intangible assets of approximately HK\$56,000 and approximately HK\$4,079,000 respectively (six months ended 30 June 2023: approximately HK\$468,000 and approximately HK\$13,940,000 respectively).

There was no disposal of plant and equipment during the current interim period (six months ended 30 June 2023: nil).

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

(a) Trade and bills receivables

	30.6.2024	31.12.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	83,050	76,782
Less: Allowance for credit losses	(2,130)	(2,218)
	80,920	74,564
Bills receivables	34,750	38,856
	115,670	113,420

The Group's trading terms with its customers are mainly on credit, except for certain customers where payment in advance is required. The credit period is generally 30 to 120 days. Each customer is granted with a credit limits. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
1 – 30 days	29,113	24,841
31 – 60 days	18,557	18,915
61 – 90 days	13,943	14,339
Over 90 days	19,307	16,469
	80,920	74,564

The maturity period of bills receivables as at 30 June 2024 and 31 December 2023 were within 365 days.

(b) Other receivables, prepayments and deposits

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Prepayments	7,169	2,366
Deposits	1,262	1,039
Other receivables	175	1,728
	8,606	5,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE AND OTHER PAYABLES

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	12,229	12,397
Other payables	1,487	2,305
Other tax payables	947	1,408
Accrued expenses	2,310	3,863
	16,973	19,973

The trade suppliers either require cash on delivery from the Group or allow credit period ranging from 7 days to 90 days to the Group. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
1 – 30 days	5,780	5,580
31 – 60 days	3,925	3,277
61 – 90 days	1,054	1,450
Over 90 days	1,470	2,090
	12,229	12,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. BANK BORROWINGS/BANK OVERDRAFT

(a) Bank borrowings

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:		
Within one year	11,127	27,503
Within a period of more than one year but not more than two years	10,193	6,295
Within a period of more than two years but not more than five years	15,196	4,694
	36,516	38,492
Carrying amounts of bank borrowings that contain a repayment on demand clause but repayable within one year	65,209	32,566
	101,725	71,058
Less: Amounts due within one year shown under current liabilities	(76,336)	(60,069)
Amounts shown under non-current liabilities	25,389	10,989
Secured	101,725	71,058

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

The Group's variable-rate bank borrowings carried interests from Loan Prime Rate issued by the People's Bank of China less 0.25% to 3.5% over Hong Kong Interbank Offered Rate ("**HIBOR**") per annum (31 December 2023: from 3.05% to 3.5% over HIBOR per annum) quoted by certain banks in Hong Kong and were repayable on demand.

The Group's fixed-rate bank borrowings as at 30 June 2024 carried interests at effective rates ranged from 1.25% to 3.85% per annum (31 December 2023: from 1.20% to 3.85%).

(b) Bank overdraft

As at 30 June 2024, the bank overdraft amounted to approximately HK\$17,891,000 (31 December 2023: approximately HK\$23,219,000), carrying interest rate at 7.61% per annum (31 December 2023: from 4.15% to 8.22% per annum) and were payable on demand. The amount was guaranteed by the Company, some Directors and the HKMC Insurance Limited under the SME Financing Guarantee Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. LEASE LIABILITIES

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Current	4,482	4,097
Non-current	10,636	11,637
	15,118	15,734

16. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2024 (unaudited) and 31 December 2023 (audited)	2,000,000,000	20,000
Issued and fully paid:		
At 30 June 2024 (unaudited) and 31 December 2023 (audited)	705,500,000	7,055

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. CAPITAL COMMITMENTS

	30.6.2024	31.12.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– intangible assets	750	900
– plant and equipment	3,087	1,181
	3,837	2,081

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group continued to sell its products directly to more than 600 customers, including renowned manufacturers of LEDs, camera modules, power devices and ICs primarily situated in the PRC. During the six months ended 30 June 2024 (the “**Period**”), the Group shipped approximately 300 tons of encapsulant products and approximately 326,000 kilometers of bonding wire products, which represented approximately 21.5% and 13.2% growth respectively compared to the corresponding period of 2023 (“**1H2023**”). The Group’s average selling price of products reduced due to keen competition in the industry during the Period. As a result, the Group’s revenue only increased by 7.3% to approximately HK\$109.0 million (1H2023: approximately HK\$101.6 million) and the Group’s gross profit ratio reduced to 24.0% (1H2023: 25.0%).

The Group has continued to focus on the innovation of semiconductor packaging materials for advanced semiconductors, aiming to capture opportunities to be generated from the expected market recovery.

FINANCIAL OVERVIEW

Revenue

The Group’s revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Period, the Group recorded a revenue of approximately HK\$109.0 million (1H2023: approximately HK\$101.6 million). The revenue of bonding wire products recorded an increase of 10.7% to approximately HK\$58.3 million (1H2023: approximately HK\$52.6 million) while the revenue of encapsulant products recorded a slightly increase of 2.8% to approximately HK\$46.8 million (1H2023: approximately HK\$45.6 million). The increase in the revenue was due to the increase in the sales volume of the Group’s products.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and gross profit

The Group's cost of sales mainly comprised direct material costs, direct labor costs, and manufacturing overhead. During the Period, the Group's cost of sales increased by 8.8% to approximately HK\$82.9 million (1H2023: approximately HK\$76.1 million), which was in line with the increase in revenue. The gross profit of the Group increased by 2.7% to approximately HK\$26.1 million for the Period (1H2023: approximately HK\$25.4 million). The gross profit margin was approximately 24.0% for the Period (1H2023: 25.0%). During the Period the lower average selling price of the Group's products led to the decrease in gross profit margin.

Other income, other gains and losses

Other income, other gains, and losses of approximately HK\$2.9 million were recorded during the Period (1H2023: approximately HK\$3.0 million).

Expenses

Selling and distribution expenses amounted to approximately HK\$5.6 million for the Period (1H2023: approximately HK\$5.5 million), mainly due to the increase in sales commission paid as a result of increase in sales revenue.

Administrative expenses for the Period were approximately HK\$15.6 million (1H2023: approximately HK\$16.9 million). The decrease in administrative expenses was mainly due to the decrease in depreciation of plant and equipment and the implementation of cost saving measures during the Period.

Finance costs sharply increased by 111.8% to approximately HK\$3.0 million (1H2023: approximately HK\$1.4 million) due to the increase in bank borrowings and the increase in interest rate during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and other comprehensive (expenses)/income for the Period

As a result of the combined effects of the foregoing, profit attributable to owners of the Company for the Period was approximately HK\$2.2 million (1H2023: approximately HK\$1.1 million). Earnings before interest, taxes, depreciation of plant and equipment and amortization of intangible assets (“**EBITDA**”) for the Period was approximately HK\$18.7 million (1H2023: approximately HK\$14.5 million).

FUTURE STRATEGIES AND PROSPECTS

Against the backdrop of global economic pressures in 2023, the artificial intelligence industry chain has shown rapid growth momentum. Moving into 2024, artificial intelligence will further drive improvements in chip computing power, storage capacity, and energy efficiency, thereby promoting innovations in semiconductor architecture and advanced encapsulation. These advancements are expected to bring new market increments.

According to SEMI’s “Mid-Year Total Semiconductor Equipment Forecast - OEM Perspective” report, global sales of semiconductor manufacturing equipment by original equipment manufacturers (“**OEMs**”) are forecasted to set a new industry record in 2024, reaching US\$109 billion, a 3.4% year-on-year increase. Semiconductor manufacturing equipment sales are expected to continue growing into 2025, driven by developments in both front-end and back-end markets, with projected sales reaching a new high of US\$128 billion.

Focusing on the semiconductor encapsulation sector, domestic manufacturers in China are gradually expanding their market share from traditional packaging into advanced packaging technologies. This expansion is facilitated by the increasing demand driven by new requirements such as artificial intelligence and high-performance computing, accelerating the strategic layout of China’s semiconductor industry. In particular, the industry pays high attention to materials required for advanced packaging due to their high technical complexity, significant process impacts, and relatively low domestic production rates.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, the development of global artificial intelligence technology has driven a surge in computing power demand, thereby propelling the semiconductor industry forward. Notably, high-power semiconductor devices are experiencing rapid growth due to widespread applications in electric vehicles driven by downstream demand. Our Group is seizing industry opportunities and actively expanding in the high-power semiconductor device sector. During the reporting period, our Group achieved smooth progress in the business of high-power semiconductor devices. We have successfully sold copper-alloy bonding wires to customers, a critical material for next-generation high-power semiconductor devices utilizing silicon carbide chips, widely applied in the Electric Multiple Unit (“**EMU**”) sector. As of the reporting date, our Group’s major customers in the high-power semiconductor device sector are concentrated in the EMU field. With the increasing localization of electric vehicles, there is a clear trend towards domestic production of parts and materials required for power semiconductor devices, supported by national and local policies.

Furthermore, as global 5G network deployments continuously develop and China accelerates its 5G new infrastructure initiatives, new application scenarios will continually generate more demand for chip packaging, expanding the domestic packaging market further.

In light of the rapid developments in artificial intelligence and 5G, our Group will continue seeking new business collaborations and focusing on innovations in advanced semiconductor materials for applications in electric vehicles, mini-LEDs, artificial intelligence, and 5G communications industries. Additionally, we will allocate more resources to upstream packaging materials for the 5G and semiconductor industries, expecting this to become another growth area for our Group. Looking ahead, despite uncertainties in the international landscape, the Board firmly believes that our established position, competitive advantages, and flexible business strategies in the semiconductor packaging materials industry will overcome post-pandemic impacts, achieve long-term growth, and deliver maximum returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES MANAGEMENT

As at 30 June 2024, the Group employed 189 full-time employees (as at 31 December 2023: 183). The remuneration of employees is disclosed in note 8 to the unaudited condensed consolidated financial statements. The Group's remuneration policy is determined with reference to the experience and qualifications of the individual's performance. The Group would ensure that all employees are provided with adequate training and continuous professional development opportunities according to their needs. The Group has adopted a share option scheme to reward individual staff for their contribution to the Group.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowings. The Group recorded net current assets of approximately HK\$64.6 million as at 30 June 2024 (31 December 2023: approximately HK\$70.6 million). As at 30 June 2024, the Group's current ratio was approximately 1.5 (31 December 2023: approximately 1.6) and the Group's gearing ratio (the total borrowings divided by the total equity of the Group at the end of the Period) was approximately 55.0% (31 December 2023: approximately 42.7%). The Group's variable-rate bank borrowings carried interest which ranged from Loan Prime Rate issued by the People's Bank of China less 0.25% to 3.5% over HIBOR per annum (31 December 2023: 3.05% to 3.5% over HIBOR per annum). The effective interest rates ranged from 3.44% to 7.83% per annum as at 30 June 2024 (31 December 2023: 7.81% to 9.07%). The Group's fixed-rate borrowings carried interests at effective rates from 1.25% to 3.85% per annum as at 30 June 2024 (31 December 2023: 1.2% to 3.85%). As at 30 June 2024, the Group's bank borrowings and bank overdraft amounted to approximately HK\$119.6 million (31 December 2023: approximately HK\$94.3 million). As at 30 June 2024, the Group had total bank facilities of approximately HK\$143.7 million (31 December 2023: approximately HK\$122.3 million). As at 30 June 2024, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$217.6 million (31 December 2023: approximately HK\$220.9 million).

TREASURY POLICY

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS HELD

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income, cost of sales, administrative expenses, investment and borrowings are mainly denominated in United State Dollar, HK\$ and RMB. Fluctuations of the exchange rates of RMB could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the Period. The Group currently does not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will take prudent measure to minimise the currency translation risk. The Group will consider hedging significant foreign currencies should the need arise.

CHARGES ON ASSETS

There was no significant pledge on the Group's assets as at 30 June 2024 (as at 31 December 2023: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (1H2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities or guarantees (as at 31 December 2023: nil).

SEGMENT INFORMATION

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

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period for the Group up to the date of this report.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Director's and chief executives' interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO"), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

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

Notes:

- (1) As at 30 June 2024, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Niche-Tech Investment Holdings Limited ("BVI Holdings") is indirectly owned as to 40% by Dr. Chow and 60% by Professor Chow. By virtue of the SFO, Dr. Chow and Professor Chow are deemed to be interested in the Shares held by BVI Holdings.

OTHER INFORMATION

Interests in shares of the associated corporations of the Company

Name	Name of associated corporation	Nature of interest/ holding capacity	Number of shares held/ interested in the associated corporations	Percentage of shareholding
Professor Chow (Notes 1 and 2)	Chows Investment Group Limited	Beneficial owner	6	60.00%
Dr. Chow (Notes 1 and 2)	Chows Investment Group Limited	Beneficial owner	4	40.00%
Professor Chow (Notes 1 and 2)	BVI Holdings	Interest in a controlled corporation	10,000,000	100.00%
Dr. Chow (Notes 1 and 2)	BVI Holdings	Interest in a controlled corporation	10,000,000	100.00%
Mr. Li Chiu Fan (Note 3)	BVI Holdings	Beneficial owner	714,286	7.14%

Notes:

- (1) Chows Investment Group Limited holds 100% interest in BVI Holdings. BVI Holdings in turn holds 50.60% interest in the Company. Therefore, Chows Investment Group Limited and BVI Holdings are the associated corporations of the Company for the purpose of the SFO.
- (2) Dr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of Chows Investment Group Limited respectively. Chows Investment Group Limited holds 100% interest in BVI Holdings. Dr. Chow and Professor Chow are therefore deemed to be interested in 100% of BVI Holdings for the purpose of the SFO.
- (3) Chows Investment Group Limited issued an exchangeable loan note to Mr. Li Chiu Fan for an amount of HK\$10,000,000 in respect of 714,286 shares in the issued share capital of BVI Holdings. The maturity date of the exchangeable loan note had been extended.

Save as disclosed above, as at 30 June 2024, none of the Directors nor chief executives of the Company had or was deemed to have any other interests and short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

(b) Substantial Shareholders and other persons' interests and short positions in the Shares or underlying Shares of the Company

So far as is known to the Directors, as at 30 June 2024, the persons (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

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

OTHER INFORMATION

Notes:

- (1) As at 30 June 2024, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares of HK\$0.01 each.
- (2) Chows Investment Group Limited holds 100% interest in BVI Holdings and is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings for the purpose of the SFO.
- (3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested for the purpose of the SFO.
- (4) Mrs. Chow Kuo Li Jen is the spouse of Dr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Dr. Chow is interested for the purpose of the SFO.
- (5) Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

No Options have been granted by the Company under the Scheme since its adoption date and up to the date of this report. Therefore, no Options lapsed or were exercised or cancelled during the Period and there were no outstanding Options as at 30 June 2024.

OTHER INFORMATION

COMPETING INTERESTS

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

CORPORATE GOVERNANCE PRACTICES

The Company complied with Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the GEM Listing Rules for the Period.

Principle C.2 and code provision C.2.1 of the CG Code stipulate that there should be a clear division of the management of the Board and the day-to-day management of the business. The roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group has not appointed the chief executive officer. In view of Dr. Chow, being the founder of the Group, and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Dr. Chow acts as the chairman of the Board. Day-to-day management of the business of the Group is carried out by the senior management and monitored by the executive Directors, while prior approvals by all executive Directors are required for all strategic decisions which are also considered and confirmed in formal Board meeting. The balance of power and authority of the Company is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being independent non-executive Directors. The Group believes that the existing management structure and decision making procedures are adequate and in the best interest of the Group to cope with the ever-changing economic environment.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). The Company had also made specific enquiry of all the Directors and each of them confirmed that they have complied with the Code of Conduct and Required Standard of Dealings throughout the Period. Further, the Company was not aware of any non-compliance with the Required Standard of Dealings regarding securities transactions by the Directors for the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Company has established an audit committee of the Board (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The members of the Audit Committee include three independent non-executive Directors, namely Mr. Poon Lai Yin Michael, Professor Ng Wang Wai Charles and Mr. Tai Chun Kit. Mr. Poon Lai Yin Michael is the chairman of the Audit Committee.

OTHER INFORMATION

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

By Order of the Board
Niche-Tech Semiconductor Materials Limited
Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 23 August 2024

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

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