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

**靖洋集團控股有限公司**

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

**(Stock Code: 8257)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## **HIGHLIGHTS**

- Revenue decreased by approximately 16.64% from approximately NTD1,598.90 million for the year ended 31 December 2022 to approximately NTD1,332.83 million for the year ended 31 December 2023.
- Total comprehensive income for the year attributable to owners of the Company increased by approximately 204.96% from total comprehensive loss approximately NTD88.70 million for the year ended 31 December 2022 to total comprehensive income approximately NTD93.10 million for the year ended 31 December 2023.
- Basic earnings per share increased from loss per share NTD8.04 cents for the year ended 31 December 2022 to basic earnings per share NTD9.06 cents for the year ended 31 December 2023.
- The Board did not recommend the payment of dividend for the year ended 31 December 2023 (2022: Nil).

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023, together with comparative figures for the preceding financial year, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>NTD’000</i>	2022 <i>NTD’000</i>
<b>Revenue</b>	3	<b>1,332,827</b>	1,598,898
Cost of sales	6	<u>(1,006,867)</u>	<u>(1,233,622)</u>
		<b>325,960</b>	365,276
Loss on fire accident		<u>—</u>	<u>(257,793)</u>
<b>Gross profit</b>		<b>325,960</b>	107,483
Other income	4	<b>154</b>	371
Other (losses)/gains, net	4	<b>(3,361)</b>	18,498
Selling and distribution expenses	6	<b>(57,549)</b>	(61,114)
General and administrative expenses	6	<b>(128,986)</b>	(130,306)
Reversal of provision for/(provision for) impairment losses on financial assets, net	6	<u><b>8,645</b></u>	<u>(2,964)</u>
		<b>144,863</b>	(68,032)
Finance income	5	<b>1,010</b>	438
Finance costs	5	<u>(19,592)</u>	<u>(14,787)</u>
<b>Profit/(loss) before income tax</b>		<b>126,281</b>	(82,381)
Income tax (expense)/credit	7	<u>(35,643)</u>	<u>1,945</u>
<b>Profit/(loss) for the year attributable to owners of the Company</b>		<u><b>90,638</b></u>	<u>(80,436)</u>
<b>Other comprehensive income/(loss), net of tax:</b> Item that may be reclassified subsequently to profit or loss:			
— Exchange differences		<u><b>2,465</b></u>	<u>(8,265)</u>
<b>Total comprehensive income/(loss) for the year attributable to owners of the Company</b>		<u><b>93,103</b></u>	<u>(88,701)</u>
<b>Earnings/(loss) per share</b>			
Basic and diluted (NTD cents)	9	<u><b>9.06</b></u>	<u>(8.04)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>NTD'000</i>	2022 <i>NTD'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		298,698	307,823
Right-of-use assets		18,198	31,124
Intangible assets		89,865	97,643
Deferred income tax assets		59,709	66,602
Deposits		6,143	8,878
		<b>472,613</b>	512,070
<b>Current assets</b>			
Inventories		1,021,300	1,321,367
Trade receivables	<i>10</i>	180,248	219,001
Prepayments, deposits and other receivables		277,983	191,207
Cash and cash equivalents		150,739	239,675
		<b>1,630,270</b>	1,971,250
<b>Total assets</b>		<b>2,102,883</b>	2,483,320
<b>Equity</b>			
Share capital		38,815	38,815
Reserves		766,797	673,694
<b>Total equity</b>		<b>805,612</b>	712,509
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings		171,867	200,361
Lease liabilities		9,167	18,263
		<b>181,034</b>	218,624
<b>Current liabilities</b>			
Trade payables and other payables	<i>11</i>	226,548	397,828
Contract liabilities	<i>11</i>	421,185	648,779
Lease liabilities		9,872	13,699
Bank borrowings		444,667	450,304
Current income tax liabilities		13,965	41,577
		<b>1,116,237</b>	1,552,187
<b>Total liabilities</b>		<b>1,297,271</b>	1,770,811
<b>Total equity and liabilities</b>		<b>2,102,883</b>	2,483,320

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

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

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

Particulars of the Company’s subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
<b>Interests held directly</b>				
Genes Tech (Hong Kong) Co. Limited	Incorporated in Hong Kong on 13 April 2018 as a limited liability company	100 ordinary shares of Hong Kong dollar (“HK\$”) 1 each	100%	Investment holding, Hong Kong
Top Lucky International Limited	Incorporated in Hong Kong on 26 March 2018 as a limited liability company	100 ordinary shares of HK\$1 each	100%	Investment holding, Hong Kong
Top Vitality Limited (“Top Vitality”)	Incorporated in Anguilla on 28 April 2016 as a limited liability company	1,000,000 ordinary shares of United States dollar (“USD”) 1 each	100%	Investment holding, Anguilla
<b>Interests held indirectly</b>				
靖洋科技股份有限公司 Genes Tech Co. Limited* (“Genes Tech”)	Incorporated in Taiwan on 28 December 2009 as a limited liability company	15,000,000 ordinary shares of NTD10 each	100%	Provision of turnkey solution and trading of parts and used semiconductor manufacturing equipment, Taiwan
崇濬科技股份有限公司 Astro Thermal Technology Corporation* (“Astro Thermal Technology”)	Incorporated in Taiwan on 27 July 2009 as a limited liability company	1,500,000 ordinary shares of NTD10 each	100%	Manufacturing and sale of heating jackets, Taiwan
上海靖洵科技有限公司 SHANGHAI GENES TECH CO., LTD. *	Incorporated in PRC on 12 May 2020 as a limited liability company	USD700,000/Renminbi (“RMB”) 20,000,000	100%	Provision of turnkey solution and trading of parts and used semiconductor manufacturing equipment, PRC

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap.622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

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

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

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

<b>Standards</b>	<b>Subject of amendment</b>
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2
Definition of Accounting Estimates	Amendments to HKAS 8
Deferred tax related to assets and liabilities arising from a single transaction	Amendments to HKAS 12
International Tax Reform — Pillar Two Model Rules	Amendments to HKAS 12
Insurance Contracts	HKFRS 17
HKFRS 17	Amendments to HKFRS 17
Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	Amendments to HKFRS 17

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new interpretations and amended standards have been issued but are not effective for financial year beginning on 1 January 2023 and have not been early adopted by the Group.

		<b>Effective for annual reporting periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Revised Hong Kong- Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	The Effects of Changes in Foreign Exchange Rates — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

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

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

### 3. SEGMENT INFORMATION

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

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Provision of turnkey solution	708,926	801,834
Trading of parts and used semiconductor manufacturing equipment	<u>623,901</u>	<u>797,064</u>
Revenue recognised at a point in time	<u><u>1,332,827</u></u>	<u><u>1,598,898</u></u>

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

The geographical location of customers is based on the location at which based on the billing address of the invoice for the service provided or goods sold. The following table provides an analysis of the Group's revenue from external customers.

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Taiwan (place of domicile)	745,654	1,130,953
PRC	281,730	273,872
United States	220,446	71,869
Singapore	80,919	119,749
Japan	1,910	1,058
Malaysia	1,471	–
Germany	697	925
South Korea	–	225
Other countries	–	247
	<u><u>1,332,827</u></u>	<u><u>1,598,898</u></u>

#### Information about major customers

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

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
<b>Customers</b>		
A	523,306	560,492
B	204,987	N/A*
C	N/A*	204,387
	<u><u>N/A*</u></u>	<u><u>204,387</u></u>

\* The corresponding customer did not contribute over 10% of total revenue of the Group in 2022 and 2023.



#### 4. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
<b>Other income</b>		
Sundry income	<u>154</u>	<u>371</u>
	<u><b>154</b></u>	<u><b>371</b></u>
<b>Other (losses)/gains, net</b>		
Exchange (losses)/gains, net	(2,343)	18,494
Loss on disposal of property, plant and equipment	(870)	–
Others	<u>(148)</u>	<u>4</u>
	<u><b>(3,361)</b></u>	<u><b>18,498</b></u>

#### 5. FINANCE INCOME AND COSTS

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Finance income		
Bank interest income	<u>1,010</u>	<u>438</u>
Finance costs		
Interest on bank borrowings	(19,107)	(14,237)
Interest on lease liabilities	<u>(485)</u>	<u>(550)</u>
	<u><b>(19,592)</b></u>	<u><b>(14,787)</b></u>
Net finance costs	<u><b>(18,582)</b></u>	<u><b>(14,349)</b></u>

## 6. EXPENSES BY NATURE

	2023 NTD'000	2022 NTD'000
Auditors' remuneration		
— Audit services	11,111	10,253
— Non-audit services	1,992	1,133
Cost of materials used	763,532	966,877
Loss on fire accident ( <i>note (a)</i> )	–	129,810
Amortisation of intangible assets ( <i>note (b)</i> )	12,271	11,651
Depreciation of property, plant and equipment ( <i>note (c)</i> )	15,610	16,029
Depreciation of right-of-use assets	14,264	13,788
Research expense	734	1,150
Provision for warranty, net	3,770	12,971
Employee benefit expenses	244,096	275,283
Professional fees	10,772	12,536
Commission fee	17,588	19,801
(Reversal of provision for)/provision for impairment loss on trade receivables	(8,645)	2,964
(Reversal of provision for)/provision for impairment loss on inventories ( <i>note (a)</i> )	(527)	108,825
Expense relating to short-term leases	4,538	4,370
Delivery charges	12,078	17,141
Travelling	21,927	23,073
Insurance	24,797	23,778
Entertainment	3,956	1,904
Utilities	4,816	4,354
Others	26,077	28,108
	<u>1,184,757</u>	<u>1,685,799</u>

### Notes:

- (a) On 18 December 2022, a fire broke out at a premises adjacent to a warehouse of the Group located offsite from the headquarter building of the Group. Such warehouse is principally used by the Group to store aged and less commonly used inventory. This fire accident resulted in a loss on inventory amounting to approximately NTD257,793,000. Such loss is accounted for as “Cost of sales” in the consolidated financial statements of the Group. While the Group is seeking insurance claim in relation to the above fire accident, no contingent asset in relation to the potential amount recoverable from the insurance company is recorded as at 31 December 2023 (2022: same).
- (b) Amortisation of intangible assets is included in “General and administrative expenses”.
- (c) Depreciation of property, plant and equipment is included in “Cost of sales” and “General and administrative expenses”, amounting to approximately NTD11,485,000 (2022: NTD10,794,000) and NTD4,125,000 (2022: NTD5,235,000), respectively.

## 7. INCOME TAX EXPENSE/(CREDIT)

	2023 NTD'000	2022 NTD'000
<b>Current tax — Taiwan</b>		
Current tax on profits for the year	31,219	40,843
Under-provision in prior years	<u>(2,469)</u>	<u>1,973</u>
	28,750	42,816
Deferred income tax	<u>6,893</u>	<u>(44,761)</u>
Income tax expense/(credit)	<u><u>35,643</u></u>	<u><u>(1,945)</u></u>

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

As such, Taiwan Income Tax is calculated at 20% (2022: 20%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and Anguilla, neither the Company nor any of its subsidiaries is subject to any income tax under the jurisdictions during the year (2022: Nil).

Further pursuant to the Article 66-9 of Income Tax Act issued by Taxation Administration, Ministry of Finance, Taiwan, an additional income tax shall be charged at 5% (2022: 5%) on the undistributed surplus earnings in prior year.

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

	2023 NTD'000	2022 NTD'000
Profit/(loss) before income tax	<u>126,281</u>	<u>(82,381)</u>
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	35,943	(12,895)
Income not subject to tax	(19)	(363)
Expense not deductible for tax purpose	661	541
Under-provision in prior years	(2,469)	1,973
Difference in tax rate over current tax and deferred tax	(902)	8,396
Others	<u>(2,429)</u>	<u>403</u>
Income tax expense/(credit)	<u><u>35,643</u></u>	<u><u>(1,945)</u></u>

## 8. DIVIDENDS

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Final dividend of Nil per share (2022: Nil per share)	<u>          -</u>	<u>          -</u>

Subsequent to the end of the reporting period of 2023, the board resolved not to propose any dividend in respect of the year ended 31 December 2023.

## 9. EARNINGS/(LOSS) PER SHARE

### (a) Basic

The calculations of basic earnings/(loss) per share are based on the profit for the year attributable to owners of the Company of approximately NTD90,638,000 (2022: the loss for the year attributable to owners of the Company of approximately NTD80,436,000) and the weighted average of 1,000,000,000 (2022: 1,000,000,000) shares in issue during the year.

	2023	2022
Profit/(loss) for the year attributable to owners of the Company (NTD'000)	90,638	(80,436)
Weighted average number of ordinary shares in issue (thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings/(loss) per share (NTD cents per share)	<u>9.06</u>	<u>(8.04)</u>

### (b) Diluted

Diluted earnings/(loss) per share were same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2023 (2022: same).

## 10. TRADE RECEIVABLES

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Trade receivables	<b>182,418</b>	229,816
Less: provision for impairment	<b>(2,170)</b>	(10,815)
	<b><u>180,248</u></b>	<b><u>219,001</u></b>

The Group normally allows credit period ranging from 30 to 90 days (2022: 30 to 90 days) to its major customers.

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

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

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
0–30 days	<b>92,590</b>	138,907
31–90 days	<b>35,644</b>	48,488
91–180 days	<b>24,551</b>	11,876
181–365 days	<b>22,465</b>	16,083
Over 1 year	<b>4,998</b>	3,647
	<b><u>180,248</u></b>	<b><u>219,001</u></b>

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

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

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
USD	<b>110,873</b>	115,018
NTD	<b>53,372</b>	101,218
RMB	<b>16,003</b>	2,765
	<b><u>180,248</u></b>	<b><u>219,001</u></b>

## 11. TRADE AND OTHER PAYABLES

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Trade payables ( <i>note (a)</i> )	108,915	251,791
Other payables	1,073	1,092
Accruals	96,855	125,062
Provision for warranty ( <i>note (b)</i> )	19,705	19,883
	<u>226,548</u>	<u>397,828</u>
Contract liabilities ( <i>note (c)</i> )	<u>421,185</u>	<u>648,779</u>

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

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
NTD	163,252	290,677
USD	27,966	70,053
HKD	10,567	9,860
Others	5,058	7,355
	<u>206,843</u>	<u>377,945</u>

### (a) Trade payables

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

	2023 <i>NTD'000</i>	2022 <i>NTD'000</i>
Current or less than 1 month	50,239	121,936
1 to 3 months	36,210	75,775
More than 3 months to 1 year	14,197	46,440
More than 1 year	8,269	7,640
	<u>108,915</u>	<u>251,791</u>

**(b) Provision for warranty**

	<i>NTD'000</i>
As at 1 January 2022	18,946
Additional provision	26,698
Utilised during the year	(12,034)
Reversal during the year	<u>(13,727)</u>
As at 31 December 2022 and 1 January 2023	19,883
Additional provision	15,975
Utilised during the year	(3,948)
Reversal during the year	<u>(12,205)</u>
<b>As at 31 December 2023</b>	<b><u>19,705</u></b>

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

**(c) Contract liabilities**

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

	<b>Year ended 31 December 2023 <i>NTD'000</i></b>	Year ended 31 December 2022 <i>NTD'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<b><u>392,860</u></b>	<u>434,311</u>

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

Contract liabilities decreased by approximately NTD227,594,000 as at 31 December 2023 due to less deposits received from customers. The amount is expected to be recognised as revenue within one to two financial years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

In 2023, the global economic situation was dynamic and unpredictable. The continuing Russia-Ukraine war, the rise of Israeli-Palestinian conflict, the escalating Sino-U.S. technology war, interest rate hikes in major economies and recovery of China's economy below market expectation resulted in sluggish economy in general, leading to weak demand in semiconductor end markets such as personal computers and smartphones. The global semiconductor market has entered an industry downturn. Nevertheless, benefiting from the strong growth of artificial intelligence (AI), high-performance computing (HPC), automotive semiconductors and industrial semiconductors, together with the signs of improvement in end market consumption activities, the global semiconductor industry has rebounded after hitting the rock bottom in the second half of the year.

According to the World Semiconductor Trade Statistics (WSTS), global semiconductor sales will reach USD520.1 billion in 2023, representing a year-on-year decline of 9.4%, while the demand in some end markets such as smartphones began to pick up in the third and fourth quarters. According to the research by Gartner and International Data Corporation (IDC), global semiconductor sales amounted to USD533 billion and USD526.5 billion in 2023 respectively, representing a year-on-year decrease of 11.1% and 12% respectively. According to the statistics by IDC, global smartphone shipments declined 3.2% year-on-year to 1.17 billion units in 2023, marking the lowest shipment volume in a decade. Nevertheless, the shipment volume increased 8.5% year-on-year to 326 million units in the fourth quarter, higher than the forecast of 7.3% growth. IDC expects a recovery in the smartphone market in 2024. According to the data from another research agency Canalys, the personal computer shipments totaled 247 million units in 2023, representing a 13% drop compared to 2022. Similarly, global personal computer market shipments began to pick up in the fourth quarter, posting a year-on-year growth of 3% and ending seven consecutive quarters of year-on-year decline. Canalys also predicts sales of global new energy vehicle to grow 29% year-on-year and reach 13.7 million units in 2023, equating to a penetration rate of 17.1%. According to Semiconductor Equipment and Materials International (SEMI), global sales of semiconductor equipment are forecasted to reach USD100.9 billion in 2023, representing a year-on-year contraction of 6.1%, shrinking for the first time in four years. Nevertheless, the chip equipment market is expected to recover in 2024, with sales forecasted to reach USD105.3 billion, posting a year-on-year growth of 4%. According to Market Intelligence & Consulting Institute (MIC) of Taiwan, the output value of Taiwan's semiconductor industry is estimated to be NTD3.77 trillion in 2023. Looking ahead to 2024, the output value of Taiwan's semiconductor industry is anticipated to reach NTD4.29 trillion, marking a growth of 13.7%. The Group will closely monitor the changes in the market environment, adopt proactive strategies, and respond to market changes in a prudent and prompt manner to further consolidate its market position.



## **BUSINESS REVIEW**

The Group is a turnkey solution provider and exporter of parts and used Semiconductor Manufacturer Equipment (SME) in Taiwan, mainly engaging in providing turnkey solutions for parts and used SME for customers and modifying and/or upgrading the semiconductor equipment of its production systems according to customers' needs. In addition, the Group also engages in the trading of SME and parts. For the year ended 31 December 2023, the total revenue of the Group amounted to approximately NTD1,332.83 million (2022: approximately NTD1,598.90 million). For the year ended 31 December 2023, the total comprehensive income attributable to owners of the Company amounted to approximately NTD93.10 million (2022: total comprehensive loss of approximately NTD88.70 million). Basic earnings per share were approximately NTD9.06 cents (2022: basic losses per share of approximately NTD8.04 cents).

### **TURNKEY SOLUTIONS**

The parts and used SME supplied by the Group include furnaces and clean tracks which are used at the front-end of the semiconductor manufacturing process and wafer fabrication such as deposition, photoresist coating and development. The semiconductors produced by the customers using the SME of the Group were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products. For the year ended 31 December 2023, the Group recorded revenue of approximately NTD708.93 million (2022: approximately NTD801.83 million) from turnkey solutions, accounting for approximately 53.19% (2022: approximately 50.15%) of the Group's total revenue.

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

During the year of 2023, the Group recorded revenue of approximately NTD623.90 million (2022: approximately NTD797.06 million) from the trading of parts and used SME, accounting for approximately 46.81% (2022: approximately 49.85%) of the total revenue of the Group.

## **FINANCIAL REVIEW**

For the year ended 31 December 2023, the total revenue of the Group amounted to approximately NTD1,332.83 million (2022: approximately NTD1,598.90 million). The revenue from the business of turnkey solution and trading of parts and used SME amounted to approximately NTD708.93 million (2022: approximately NTD801.83 million) and NTD623.90 million (2022: approximately NTD797.06 million) respectively.

During the period under review, revenue from the domestic business in Taiwan accounted for approximately 55.95% of the Group's total revenue (2022: approximately 70.73%). As the geopolitical situation continues to be tense, the Group seized market opportunities to actively develop and consolidate good and close cooperation with existing international customers. This in turn drove the increase in its revenue from the U.S. business by 206.73% compared to last year, accounting for approximately 16.54% of the Group's total revenue.

For the year ended 31 December 2023, the gross profit of the Group amounted to approximately NTD325.96 million (2022: approximately NTD107.48 million), while the gross profit margin was approximately 24.46% (2022: approximately 6.72%).

## **OUTLOOK**

Benefitted from the strong demand generated by emerging industries such as the booming artificial intelligence (AI), new energy vehicles, autonomous vehicles (ADAS) industry and high performance computing (HPC) as demand in traditional end markets such as smartphones, personal computers and servers is recovering, it is expected that, the global semiconductor industry will return to a growth trend in 2024. According to WSTS, the size of global semiconductor market is estimated to reach USD588.3 billion in 2024, representing a year-on-year growth of 13.1%. As anticipated by IDC, the sales of global semiconductor industry will increase by 20.2% year-on-year in 2024, reaching USD633 billion. The Semiconductor Industry Association (SIA) of the United States predicts that semiconductor sales will get rid of the contraction in 2024, growing by 13.1% year-on-year to USD588.4 billion.

According to the survey by KPMG on 172 global chip executives, semiconductor industry players are of the view that automotive repeats as the main driver of the semiconductor market in 2024, followed by AI. With the development of battery technology and the increasing number of charging infrastructure for new energy vehicles, the penetration of pure electric vehicles is expected to be further accelerated in 2024. According to the report by Canalys, the global new energy vehicle market is forecasted to reach 17.5 million units in 2024, representing a year-on-year growth of 27%. According to the latest Industry Report on Electric Vehicles published by DIGITIMES, global electric vehicle sales will exceed 18 million units in 2024, representing a year-on-year growth of 29.6%. The trend of computerization and electrification of automobiles continues to stimulate the demand for semiconductors. Among which, autonomous vehicles (ADAS) account for the highest proportion of automotive semiconductors. IDC projects that the compound annual growth rate of ADAS will reach 19.8% by 2027, accounting for 30% of the automotive semiconductor market in that year. Automotive infotainment systems account for the second largest share of the automotive semiconductor market. Driven by automotive computerization and networking, IDC predicts a compound annual growth rate of 14.6% by 2027, accounting for 20% of the market. According to the report by GlobalData, as in-car electronics expand, the semiconductor content per vehicle will rise from around USD700 currently to USD1,000 or more by 2030. Overall, as more and more automotive electronics will rely on chips, the demand for semiconductors will be long-term and stable.

By virtue of the rapid development of generative AI, the demand for AI-related chips and memory is experiencing a strong growth. IDC expects that more AI functions will be integrated into personal devices starting in 2024. The emergence of AI smartphones, AI personal computers, AI wearable devices as well as more innovative applications will stimulate the further increase in demand in the semiconductor end market. At the enterprise level and according to the research by Gartner, with the advancement of semiconductor technology, the percentage of enterprises using generative AI in their business will soar from less than 5% in 2023 to 80% all over the world in 2026. Based on the research by Canalys, it is expected that AI personal computer shipments will exceed 170 million units by 2027, of which nearly 60% will be deployed in commercial fields.

Meanwhile, the geopolitical impact continues to envelope the global semiconductor industry. Given that artificial intelligence (AI) is the key sector in the Sino-U.S. technology war, the United States has been gradually tightening its export controls on chips, introducing a broader scope of control of semiconductor-related equipment and covering companies in other overseas regions with a higher risk of transferring advanced chips to China. On the other hand, under the geopolitical impact, localization of semiconductors has become an important strategy for major semiconductor countries, which imposes effect on the market and regional layout of semiconductor industry players. The Group will pay close attention to the changes in the market environment, respond to market changes in a prudent and prompt manner to seize development opportunities, and actively explore new business opportunities. The Group will also increase its efforts to identify talents, strengthen its innovation and R&D capabilities, enhance its core competitiveness, and create long-term shareholder value.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings for the year ended 31 December 2023. The Group's primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 31 December 2023, the borrowings of the Group totaled approximately NTD616.53 million (31 December 2022: approximately NTD650.67 million). As at 31 December 2023, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 57.82% (31 December 2022: approximately 57.68%).

### **Charge on Assets**

As at 31 December 2023, certain land and buildings of the Group were pledged to secure the Group's long-term and short-term bank borrowings, with the carrying amount of approximately NTD258.25 million (31 December 2022: approximately NTD262.60 million).

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

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

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

The business operations of the Group's subsidiaries were mainly conducted in Taiwan with most of the transactions settled in NTD and United States Dollar. As at the date of this announcement, 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 it settled purchases of machinery, equipment and parts from overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During 2023, 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 2023, the Group did not have any significant capital commitment (31 December 2022: Nil) and significant contingent liability (31 December 2022: Nil).

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

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

## **HUMAN RESOURCES**

As at 31 December 2023, the Group employed approximately 271 employees (2022: 294 employees). All our staff are full-time contracted employees and reside in Taiwan and the People's Republic of China ("**PRC**"). Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are also provided to the employees as well.

## **DIVIDEND**

The Board does not recommend payment of final dividend for the year ended 31 December 2023 (2022: Nil).

## **OTHER INFORMATION**

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

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

Having made specific enquiry, all the Directors have confirmed their compliance with the Securities Code since the date of Listing up to 31 December 2023.

### **Compliance with the Corporate Governance Code**

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision C.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang Ming-Hsiang is the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”). In view of Mr. Yang having assumed day-to-day responsibilities in operating and managing the Group since 2009 and the rapid development of the Group, the Board believes that with the support of Mr. Yang’s extensive experience and knowledge in the business of the Group, vesting the roles of both the Chairman and the CEO in Mr. Yang strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision making which is in the best interests of the Group.

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

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

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

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023. The Audit Committee considers that the audited consolidated financial statements have been prepared under the applicable accounting standards and the GEM Listing Rules.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company’s listed shares.

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

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## **Annual General Meeting**

The annual general meeting (“**AGM**”) of the Company is scheduled to be held on 26 June 2024. The AGM notice will be issued and despatched in due course.



## **CLOSURE OF REGISTER OF MEMBERS**

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

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, both days inclusive. In order to be eligible to attend and vote at the AGM, unregistered shareholders of the Company shall ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 20 June 2024.

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

According to the GEM Listing Rules, the 2023 Annual Report of the Company shall contain all information as required by the GEM Listing Rules and will be published on the Company's website at [www.genestech.com](http://www.genestech.com) and the GEM website at [www.hkgem.com](http://www.hkgem.com) in due course.

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

Taiwan, 21 March 2024

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

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