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nichetech

NICHE-TECH GROUP LIMITED

駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8490)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

CHARACTERISTICS OF GEM (THE “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 Main Board of 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 board (the “**Board**”) of directors (the “**Directors**”) of Niche-Tech Group 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 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 in this announcement misleading.

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019 together with the comparative unaudited figures for the three months and six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended		Six months ended	
	NOTES	30.6.2019	30.6.2018	30.6.2019	30.6.2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	56,455	48,682	102,379	83,593
Cost of sales		(45,347)	(38,142)	(82,461)	(66,407)
Gross profit		11,108	10,540	19,918	17,186
Other income, other gains and losses	5	338	(1,222)	1,119	242
Impairment losses (recognised) reversed, net		(268)	252	(268)	252
Selling and distribution expenses		(3,040)	(2,993)	(5,886)	(5,677)
Administrative expenses		(7,288)	(4,584)	(12,781)	(8,107)
Listing expenses		–	(9,693)	–	(10,401)
Finance costs	6	(456)	(177)	(866)	(416)
Profit (loss) before taxation		394	(7,877)	1,236	(6,921)
Income tax expense	7	(814)	(519)	(1,053)	(750)
(Loss) profit for the period	8	(420)	(8,396)	183	(7,671)
Other comprehensive (expenses) income					
Item that will not be reclassified to profit or loss:					
Exchange differences arising on translation to presentation currency		(5,336)	(970)	(571)	(1,942)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		377	93	(16)	187
Other comprehensive expenses for the period		(4,959)	(877)	(587)	(1,755)
Total comprehensive expenses for the period		(5,379)	(9,273)	(404)	(9,426)
(Loss) earnings per share – basic (HK cents)	10	(0.06)	(1.54)	0.03	(1.41)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Plant and equipment	11	46,519	46,832
Intangible assets	11	50,965	47,570
Right-of-use assets		15,530	—
Deposits paid for acquisition of plant and equipment and intangible assets		8,748	2,920
Deposits		563	608
Deferred tax assets		3,070	3,093
		<u>125,395</u>	<u>101,023</u>
CURRENT ASSETS			
Inventories		32,117	21,130
Trade and bills receivables	12(a)	92,403	74,166
Other receivables, prepayments and deposits	12(b)	4,816	3,303
Bank deposits		48,069	60,096
Bank balances and cash		8,260	15,410
		<u>185,665</u>	<u>174,105</u>
CURRENT LIABILITIES			
Trade and other payables	13	13,475	12,223
Contract liabilities		241	172
Tax payable		1,004	1,399
Bank borrowings	14	32,580	13,786
Deferred income		1,326	1,327
Lease liabilities	15	2,811	—
		<u>51,437</u>	<u>28,907</u>
NET CURRENT ASSETS		<u>134,228</u>	<u>145,198</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>259,623</u>	<u>246,221</u>
NON-CURRENT LIABILITY			
Deferred income		8,420	9,093
Lease liabilities	15	14,479	—
		<u>22,899</u>	<u>9,093</u>
NET ASSETS		<u>236,724</u>	<u>237,128</u>
CAPITAL AND RESERVES			
Share capital	16	7,055	7,055
Reserves		229,669	230,073
TOTAL EQUITY		<u>236,724</u>	<u>237,128</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	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 profits HK\$'000	Total equity HK\$'000
At 1 January 2018 (audited)	–*	30,000	100,000	1	(3,654)	4,193	12,544	143,084
Change in accounting policy on adoption of HKFRS 9	–	–	–	–	–	–	(1,089)	(1,089)
At 1 January 2018 (restated)	–*	30,000	100,000	1	(3,654)	4,193	11,455	141,995
Loss for the period	–	–	–	–	–	–	(7,671)	(7,671)
Exchange differences arising on translation to presentation currency	–	–	–	–	(1,942)	–	–	(1,942)
Exchange differences arising on translation of foreign operations	–	–	–	–	187	–	–	187
Total comprehensive expenses for the period	–	–	–	–	(1,755)	–	(7,671)	(9,426)
Issue of new shares (<i>note 16</i>)	1,955	111,435	–	–	–	–	–	113,390
Transaction costs attributable to issue of new shares	–	(8,220)	–	–	–	–	–	(8,220)
Issue of shares by capitalisation of share premium account	5,100	(5,100)	–	–	–	–	–	–
At 30 June 2018 (unaudited)	7,055	128,115	100,000	1	(5,409)	4,193	3,784	237,739
At 1 January 2019 (audited)	7,055	128,115	100,000	1	(14,041)	5,776	10,222	237,128
Profit for the period	–	–	–	–	–	–	183	183
Exchange differences arising on translation to presentation currency	–	–	–	–	(571)	–	–	(571)
Exchange differences arising on translation of foreign operations	–	–	–	–	(16)	–	–	(16)
Total comprehensive expenses for the period	–	–	–	–	(587)	–	183	(404)
At 30 June 2019 (unaudited)	7,055	128,115	100,000	1	(14,628)	5,776	10,405	236,724

* Less than HK\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(22,019)	(4,817)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		
Development costs paid	(5,172)	(5,245)
Deposits paid for acquisition of plant and equipment and intangible assets	(6,734)	(4,611)
Acquisition of intangible assets	–	(391)
Acquisition of plant and equipment	(3,339)	(351)
Interest received	468	48
Proceeds on disposal of plant and equipment	–	72
Decrease in bank deposit	30,000	–
	15,223	(10,478)
NET CASH FROM FINANCING ACTIVITIES		
Issue of shares	–	113,390
Bank borrowings raised	41,036	28,262
Repayment of bank borrowings	(22,109)	(27,960)
Listing costs paid	–	(4,728)
Interests paid	(353)	(347)
Repayment of lease liabilities	(1,409)	–
	17,165	108,617
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,369	93,322
Effect of impairment loss	–	(48)
Effect of foreign exchange rate changes	550	(102)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	15,410	10,758
CASH AND CASH EQUIVALENTS AT 30 JUNE,		
represented by		
Bank balances and cash	26,329	103,930
Represented by:		
Bank deposits with original maturity of less than 3 months	18,069	–
Bank balances and cash	8,260	103,930
	26,329	103,930

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 the 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 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The 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 condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as disclosed below, the application of the new and amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3.1 Changes in accounting policies

The Group applied HKFRS 16 with a date of initial application on 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new and amended requirements with respect to lease accounting are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of profit or loss over the lease period on a straight-line basis. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 January 2019. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss in the period in which it is incurred using effective interest method.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in note 3.1(b). The right-of-use assets were recognised in the consolidated statement of financial position. Depreciation was charged on a straight-line basis over the shorter of the asset’s useful life or the lease term.

(b) Accounting policies adopted since 1 January 2019

Until the year ended 31 December 2018, payments made under operating leases were recognised as an expense on a straight-line basis over the lease term. From 1 January 2019 onwards, leases are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases is recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. REVENUE AND SEGMENT INFORMATION

An analysis of revenue by major products is as follows:

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bonding wire	42,937	37,618	81,257	67,704
Encapsulant	7,026	7,672	12,275	10,707
Others	6,492	3,392	8,847	5,182
	56,455	48,682	102,379	83,593

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 (excluding listing expenses), 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 PRC and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC excluding Hong Kong	55,695	47,790	101,251	81,434
Hong Kong	760	892	1,128	2,159
	<u>56,455</u>	<u>48,682</u>	<u>102,379</u>	<u>83,593</u>

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	235	41	468	48
Government subsidy income	334	377	685	728
Gain on disposal of plant and equipment	–	9	–	9
Net foreign exchange losses	(232)	(1,649)	(45)	(543)
Others	1	–	11	–
	<u>338</u>	<u>(1,222)</u>	<u>1,119</u>	<u>242</u>

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on bank borrowings	153	176	353	347
Interests on lease liabilities	199	–	409	–
Interests on discounted bills with recourse	104	1	104	69
	<u>456</u>	<u>177</u>	<u>866</u>	<u>416</u>

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The income tax expense comprises:				
PRC Enterprise Income Tax ("EIT")				
– Current tax	713	549	952	780
– Overprovision in prior periods	–	(204)	–	(204)
	713	345	952	576
Deferred tax	101	174	101	174
	814	519	1,053	750

Under the EIT Law and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for 汕頭市駿碼凱撒有限公司 ("Niche-Tech Shantou"). Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise ("HNTe") and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

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.

8. (LOSS) PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:				
Directors' remuneration				
Fees	120	–	240	–
Other emoluments, salaries and other benefits	899	482	1,784	683
Retirement benefit scheme contributions	19	12	38	27
	1,038	494	2,062	710
Other staff costs:				
Staff salaries and allowances	6,839	5,431	12,845	10,586
Retirement benefit scheme contributions	819	883	1,664	1,789
	7,658	6,314	14,509	12,375
Total staff costs	8,696	6,808	16,571	13,085
Capitalised in intangible assets	(1,161)	(907)	(2,277)	(1,927)
Capitalised in inventories	(2,446)	(2,186)	(4,597)	(4,013)
	5,089	3,715	9,697	7,145

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of right-of-use assets	990	–	1,601	–
Depreciation of plant and equipment	2,042	1,821	4,106	3,649
Capitalised in intangible assets	(567)	(458)	(1,021)	(915)
Capitalised in inventories	(964)	(741)	(1,695)	(1,544)
	<u>1,501</u>	<u>622</u>	<u>2,991</u>	<u>1,190</u>
Amortisation of intangible assets	1,572	1,050	2,663	2,107
Capitalised in inventories	(1,251)	(988)	(2,289)	(1,984)
	<u>321</u>	<u>62</u>	<u>374</u>	<u>123</u>
Auditors' remuneration	193	150	343	300
Cost of inventories recognised as cost of sales	45,347	38,142	82,461	66,407
Research and development costs (Excluding depreciation and staff costs) recognised as expenses (included in administrative expenses)	281	156	359	156
Minimum operating lease rentals in respect of rented premises	–	989	34	1,611

9. DIVIDENDS

The directors of the Company do not recommend the payment of interim dividend for the current interim period (six months ended 30 June 2018: nil).

10. (LOSS) EARNINGS PER SHARE

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss) earnings:				
(Loss) earnings for the purpose of basic (loss) earnings per share:				
(Loss) profit for the period attributable to owners of the Company	<u>(420)</u>	<u>(8,396)</u>	<u>183</u>	<u>(7,671)</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>705,500,000</u>	<u>544,563,536</u>	<u>705,500,000</u>	<u>544,563,536</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the periods ended 30 June 2018 has been adjusted retrospectively for the effect of the capitalisation issue, as set out in note 16 as if the capitalisation issue had been effective on 1 January 2018.

No diluted (loss) earnings per share is presented for periods ended 30 June 2019 and 2018 as there is no potential ordinary shares in issue during both periods.

11. MOVEMENTS IN PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current interim period, the Group acquired plant and equipment and intangible assets of HK\$3,845,000 and HK\$6,193,000 respectively (six months ended 30 June 2018: HK\$8,299,000 and HK\$6,551,000 respectively).

There was no disposal of plant and equipment during the current interim period (six months ended 30 June 2018: HK\$63,000).

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

(a) Trade and bills receivables

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Trade receivables	73,851	58,318
Less: Allowance for credit losses	(2,781)	(2,527)
	71,070	55,791
Bills receivables	21,333	18,375
	92,403	74,166

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.

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 period:

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
1 – 30 days	20,525	16,492
31 – 60 days	13,614	11,193
61 – 90 days	15,002	8,811
Over 90 days	21,929	19,295
	71,070	55,791

The maturity period of bills receivables as at 30 June 2019 and 31 December 2018 were within 365 days.

(b) Other receivables, prepayments and deposits

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Value-added tax recoverable	2,543	2,188
Prepayments	1,842	583
Deposits	68	168
Other receivables	363	364
	4,816	3,303

13. TRADE AND OTHER PAYABLES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Trade payables	9,534	7,350
Accrued expenses	3,842	4,105
Other payables	99	768
	<u>13,475</u>	<u>12,223</u>

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:

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
1 – 30 days	6,244	5,510
31 – 60 days	1,982	919
61 – 90 days	1,183	496
Over 90 days	125	425
	<u>9,534</u>	<u>7,350</u>

14. BANK BORROWINGS

The exposure of the Group's bank borrowings are as follows:

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Fixed-rate bank borrowings	8,765	–
Variable-rate bank borrowings	23,815	13,786
	<u>32,580</u>	<u>13,786</u>

The Group's variable-rate bank borrowings carried interests from 2.4% to 2.8% over Hong Kong Interbank Offered Rate (“HIBOR”) per annum (31 December 2018: 2.8% over HIBOR per annum) quoted by certain banks in Hong Kong and were repayable on demand.

The Group's fixed-rate bank borrowings carried interests from 3.3% to 3.55% per annum (31 December 2018: nil).

15. LEASE LIABILITIES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Current	2,811	–
Non-current	14,479	–
	<u>17,290</u>	<u>–</u>

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2019 and 31 December 2018	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2018	2,000	– *
Issue of shares by capitalisation of share premium account (<i>note i</i>)	509,998,000	5,100
Issue of new shares (<i>note ii</i>)	195,500,000	1,955
At 30 June 2019 and 31 December 2018	705,500,000	7,055

* Less than HK\$1,000

Notes:

- (i) Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2018, the directors of the Company were authorised to, among other things, capitalise the amount of approximately HK\$5,100,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 509,998,000 shares for allotment and issue to the then shareholders of the Company as at 8 May 2018 in proportion to their shareholdings in the Company.
- (ii) On 30 May 2018, 195,500,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.58 per share.

17. CAPITAL COMMITMENTS

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– intangible assets	126	251
– plant and equipment	1,623	534
	1,749	785

MANAGEMENT DISCUSSION AND ANALYSIS

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Company's prospectus dated 17 May 2018 (the "**Prospectus**").

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specialising in the development, manufacture and sales of bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC. During the six months ended 30 June 2019 (the "**Period**"), the Group continued to sell its products directly to more than 400 customers mainly located in the PRC and Hong Kong.

During the Period, the growth of semiconductor industry had continued, which had driven the constant growth of the demand for semiconductor packaging materials. By devotedly implementing its core business strategies and catching up to industry growing demand of the LED epoxy and metal alloy (gold and silver) bonding wires, the Group had achieved satisfactory business performance during the Period. The Group recorded outstanding growth in its revenue and gross profit, with an increase of approximately 22.5% and approximately 15.9% respectively. The Group recorded a net profit after tax of approximately HK\$0.2 million during the Period, as compared with a loss of approximately HK\$7.7 million (net profit after tax of approximately HK\$2.7 million excluded the effect of the non-recurring listing expenses) in the corresponding period in 2018 ("**1H2018**").

In light of the growing demand from the semiconductor packaging market, especially the large demand of packaging materials of LED products for various applications, the Group had acquired more machineries and equipment during the Period to enhance its production capacity. The Group's two new encapsulant production lines have commenced production and enhanced the production capability of the Group significantly. In addition, the Group has continued to develop and launch its new products to meet the requirements of customers, among which, the new products for mini-LED packaging has already gained a wide recognition from its customer during the Period.

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\$102.4 million, increased by 22.5% from approximately HK\$83.6 million recorded in 1H2018. The revenue of encapsulant products recorded an increase of 14.6% to approximately HK\$12.3 million during the Period (1H2018: approximately HK\$10.7 million), mostly due to an increase in sales of LED epoxy. The revenue of bonding wire products recorded an increase of 20.0% to approximately HK\$81.3 million during the Period (1H2018: approximately HK\$67.7 million), mostly due to the increase in sales volume.

COST OF SALES AND GROSS PROFIT

The Group's cost of sales mainly comprised direct material costs, direct labour costs and manufacturing overhead. During the Period, the Group's cost of sales increased by 24.2% to approximately HK\$82.5 million (1H2018: approximately HK\$66.4 million), which was in line with the increase of revenue. The gross profit of the Group increased by 15.9% to approximately HK\$19.9 million for the Period (1H2018: approximately HK\$17.2 million). Gross profit margin was approximately 19.5% for the Period (1H2018: 20.6%), remained similar with that of 1H2018.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income, other gains and losses of approximately HK\$1.1 million were recorded during the Period (1H2018: approximately HK\$0.2 million). The increase was mainly due to: (i) the Group recognised interest income of approximately HK\$0.5 million from the IPO proceeds (1H2018: nil); and (ii) the net foreign exchange losses decreased from approximately HK\$0.5 million in 1H2018 to approximately HK\$45,000 during the Period as the exchange rate of RMB against HK\$ was comparatively stable during the Period.

EXPENSES

Selling and distribution expenses amounted to approximately HK\$5.9 million for the Period (1H2018: approximately HK\$5.7 million).

Administrative expenses for the Period increased by approximately HK\$4.7 million to approximately HK\$12.8 million (1H2018: approximately HK\$8.1 million), mainly due to: (i) increase in staff cost by approximately HK\$2.4 million as a result of additional headcounts; and (ii) increase in recurring legal and professional compliance fees by approximately HK\$0.9 million after the Group's successful listing in May 2018.

There was no non-recurring listing expenses for the Period (1H2018: approximately HK\$10.4 million).

PROFIT (LOSS) AND OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD

Summing up the combined effects of the foregoing, profit attributable to owners of the Company for the Period was approximately HK\$0.2 million (1H2018: loss of approximately HK\$7.7 million, or net profit of approximately HK\$2.7 million excluded the effect of the non-recurring listing expense of approximately HK\$10.4 million).

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, the Directors remain confident about the industry and the Group's future development. On the one hand, the recent significant drop in the semiconductor exports of South Korea, which was caused by the trade dispute between South Korea and Japan, is expected to bring more business opportunities for semiconductor industry in the PRC as end-users begin to transfer their supply chains to this fast-growing semiconductor market. On the other hand, the continuous support from the PRC government, together with the emerging markets of automotive electrification, industrial automation, Internet of Things and artificial intelligence, will drive the further growth of semiconductor industry in the PRC and bring new opportunities to the semiconductor packaging materials industry. Consequently, the Directors believe that the Group's established position in the PRC bonding wire industry, would allow the Group to pursue more business opportunities.

To meet the rising demand from the market, the Group is strategically enhancing its production capacity. The second encapsulant production line of the Group has commenced operation and sharply boost the overall production capacity. Besides, with over twelve years of experience in knowhow application and field engineering, the Group always strives to remain flexible and sensitive to the changing needs of the customers and to develop the best products for them. In light of the positive industry outlook and market potential, the Group is putting more efforts to develop new products, especially in the packaging of LED products for various applications, such as agriculture and medical lighting. The Directors believe these new products will become another growth momentum for the Group in the near future.

Having considered the favourable market environment and potential growth on the demand from different end-markets, the Group's competitive strengths and its strategic business plans, the Directors believe that the Group is at the optimum time of growth. Therefore, the Group will continue to carry out the implementation plans set forth in the Prospectus and assess new business opportunities prudently, so as to create maximum return to the holder of the Shares (the **"Shareholder"**) and to facilitate the long-term growth of the business of the Group.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2019, the Group employed 252 full-time employees (31 December 2018: 246). The remuneration of employees is disclosed in note 8 to the condensed consolidated financial statements. The Group's remuneration package is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continuous professional development opportunities according to their needs.

FINANCIAL RESOURCES, LIQUIDITY, GEARING RATIO AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowing. The Group recorded net current assets of approximately HK\$134.2 million as at 30 June 2019 (31 December 2018: approximately HK\$145.2 million). As at 30 June 2019, the Group's current ratio was approximately 3.6 (31 December 2018: approximately 6.0) and the Group's gearing ratio calculated based on the total borrowings at the end of the Period divided by total equity at the end of the Period was approximately 13.8% (31 December 2018: approximately 5.8%). More bank borrowings were drawn down to provide additional funding to the Group for business expansion during the Period. As at 30 June 2019, the Group's bank borrowings amounted to approximately HK\$32.6 million (31 December 2018: approximately HK\$13.8 million). As at the 30 June 2019, the Group has total bank facilities of HK\$65 million (31 December 2018: HK\$80 million).

As at 30 June 2019, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$236.7 million (31 December 2018: approximately HK\$237.1 million), comprised issued share capital and reserves. The Shares were listed on the GEM on 30 May 2018. There has been no change in the capital structure of the Group since then.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies for the Period.

SIGNIFICANT INVESTMENTS HELD

There was no significant investment held as at 30 June 2019.

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 Prospectus. 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, 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.

CHARGE ON ASSETS

There was no pledged assets as at 30 June 2019 (31 December 2018: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (1H2018: nil).

CONTINGENT LIABILITIES

As at 30 June 2019, our Group did not have any material contingent liabilities or guarantees.

SEGMENT INFORMATION

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

EVENT AFTER THE REPORTING PERIOD

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

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress for the period from the listing date (i.e. 30 May 2018) to 30 June 2019.

Business objectives

Actual business progress up to 30 June 2019

Expand production capacity and upgrade manufacturing facilities

- Acquire machineries and equipment and upgrade manufacturing facilities for new production lines

The Group had installed the second additional encapsulant production line in 2018, which was completed trial run during the Period. The first additional gold and silver bonding wire production line had been designed during the second quarter of 2019 to meet the increasing orders. Therefore, some machineries and equipment had been purchased/ordered.

- Acquire machineries and equipment for quality control

The Group had acquired and installed certain equipment to enhance the quality control over the production process and finished products' inspection for both bonding wire and encapsulant products during the Period.

Devote R&D resources

- Acquire machineries and equipment for R&D enhancement

The Group had purchased certain machineries and equipment for the improvement of existing R&D facilities during the Period.

- Engage external consultants for R&D projects

The Group had engaged an assistant professor from Anhui University of Technology as the R&D consultant to assist in the R&D activities for the new encapsulant projects. The Group also had engaged two professors from National Cheng Kung University (Taiwan) and an expert in metal materials as the R&D consultants to assist in the R&D activities of the Group for the new bonding wire projects.

Increase sales and marketing activities

The Group attended SEMICON China Exhibition 2019 in Shanghai organised by SEMI and CECC in March 2019. The Group also engaged a public relations advisor to perform branding and digital marketing work.

General working capital

The Group had relocated its headquarter to Hong Kong Science Park and hired related personnel after its Listing. As the two additional encapsulant production lines had been ready for mass production, additional working capital was required to support the production, quality control, warehouse management and transportation.

USE OF PROCEEDS FROM THE LISTING

The Shares were successfully listed on GEM on 30 May 2018. The net proceeds from the Share Offer received by the Company were approximately HK\$83.5 million (after deduction of listing expenses). The net proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS” in the Prospectus. During period from listing date (i.e. 30 May 2018) to 30 June 2019, the net proceeds had been utilised as follows:

	Actual net proceeds from the Listing <i>HK\$ million</i>	Amount utilised up to 30 June 2019 <i>HK\$ million</i>	Balance as at 30 June 2019 <i>HK\$ million</i>	Expected timeline for utilising the remaining unused net proceeds (Note)
Expand production capacity and upgrade manufacturing facilities				
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	41.9	16.8	25.1	From 1.7.2019 to 31.12.2020
– Acquire machineries and equipment for quality control	3.4	2.3	1.1	From 1.7.2019 to 31.12.2020
Devote R&D resources				
– Acquire machineries and equipment for R&D enhancement	19.5	4.6	14.9	From 1.7.2019 to 31.12.2020
– Engage external consultants for R&D projects	5.9	0.4	5.5	From 1.7.2019 to 31.12.2020
Increase sales and marketing activities	5.9	1.3	4.6	From 1.7.2019 to 31.12.2020
General working capital	6.9	6.9	–	–
Total	<u>83.5</u>	<u>32.3</u>	<u>51.2</u>	

As at 30 June 2019, approximately HK\$32.3 million out of the net proceeds from the Listing had been used. The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

Note: The expected timeline for utilising the remaining unused net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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 2019, the interests or 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) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) 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)
Mr. Chow Bok Hin Felix ("Mr. 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	357,000,000	50.60%
	Beneficial owner	510,000	0.07%

Notes:

- (1) As at 30 June 2019, 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 is indirectly owned as to 40% by Mr. Chow and 60% by Professor Chow. By virtue of SFO, Mr. Chow and Professor Chow are deemed to be interested in the Shares held by Niche-Tech Investment Holdings Limited.

(ii) 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%
Mr. Chow (Notes 1 and 2)	Chows Investment Group Limited	Beneficial owner	4	40.00%
Professor Chow (Notes 1 and 2)	Niche-Tech Investment Holdings Limited	Interest in a controlled corporation	10,000,000	100.00%
Mr. Chow (Notes 1 and 2)	Niche-Tech Investment Holdings Limited	Interest in a controlled corporation	10,000,000	100.00%

Notes:

- (1) Chows Investment Group Limited holds 100% interest in Niche-Tech Investment Holdings Limited. Niche-Tech Investment Holdings Limited in turn holds 50.60% interest in the Company. Therefore, Chows Investment Group Limited and Niche-Tech Investment Holdings Limited are the associated corporations of the Company for the purpose of the SFO.
- (2) Mr. 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 Niche-Tech Investment Holdings Limited. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of Niche-Tech Investment Holdings Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying shares or 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) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

(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 2019, the following entities (not being 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 provision 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 (Note 1)
Niche-Tech Investment Holdings Limited	Beneficial owner	357,000,000	50.60%
Chows Investment Group Limited (Note 2)	Interest of controlled corporation	357,000,000	50.60%
Mrs. Chow Fung Wai Lan Rita (“Mrs. Chow”) (Note 3)	Interest of spouse	357,510,000	50.67%
Mrs. Chow Kuo Li Jen (Note 4)	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 (Note 5)	Interest of spouse	152,490,000	21.61%

Notes:

- (1) As at 30 June 2019, the Company's issued ordinary 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 Niche-Tech Investment Holdings Limited and is therefore deemed to be interested in the 357,000,000 Shares held by Niche-Tech Investment Holdings Limited 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 in for the propose of the SFO.
- (4) Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Mr. Chow is interested in for the propose 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 in for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, 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

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 8 May 2018. For the principal terms of the Share Option Scheme, please refer to “D. SHARE OPTION SCHEME” in Appendix IV to the Prospectus.

Up to the date of this announcement, no share option had been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors nor the controlling shareholder 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.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Titan Financial Services Limited (“**Titan**”), the Company’s compliance adviser, save for the compliance agreement entered into between the Company and Titan dated 1 September 2017 in connection with the Listing, none of Titan or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 June 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company complied with Code of Corporate Governance Practices (the “**Code**”) as set out in Appendix 15 of the GEM Listing Rules for the Period.

A.2 and A.2.1 of the CG Code stipulates that there should be a clear division of the management of the Board and the day-to-day management of the business. The Group has not appointed the chief executive officer. Day-to-day management of the business of the Group are 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 regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the Code.

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 Dealings**”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Period. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Period.

DISCLOSURE PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in the information of the Directors since the date of the 2018's annual report of the Company are set out below:

- Dr. Cheng Faat Ting Gary has resigned as an independent non-executive Director, the chairman of the audit committee (the “**Audit Committee**”) of the Company, and a member of the remuneration committee (the “**Remuneration Committee**”) and nomination committee (the “**Nomination Committee**”) of the Company as disclosed in the Company's announcement dated 28 Jun 2019.
- Mr. Poon Lai Yin Michael has been appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee as disclosed in the Company's announcement dated 28 Jun 2019.

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 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.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the Period and is of the opinion that such results 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 Group Limited
Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 8 August 2019

As at the date of this announcement, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, non-executive Director is Mr. Ma Yung King Leo, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael.

This announcement will remain on the GEM's website at <http://www.hkgem.com> on the "Latest Listed Company Information" page for a minimum period of seven days from the date of its publication. This announcement will also be published on the Company's website at <http://www.nichetech.com.hk>.