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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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 this announcement misleading.*

As disclosed in the announcements of the Company dated 23 March 2020 and 30 March 2020, and for the reasons further explained in the section headed "Review of Unaudited Annual Results and Delay in Despatch of the Annual Report for the year ended 31 December 2019", the auditing process of the annual results of the Group has not been completed. In addition, the annual results for the year have not been agreed by the Company's auditor as required under Rule 18.49 of the GEM Listing Rules due to delay in the audit procedures resulting from the outbreak of the COVID-19. The unaudited annual results for the year have been agreed and reviewed by the audit committee of the Company.

The Board is pleased to present the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative audited figures for the year ended 31 December 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** ***HK$'000*** **Unaudited**	2018 *HK$'000* Audited
Revenue	*4*	**213,006**	184,439
Cost of sales		**(171,321)**	(143,626)
Gross profit		**41,685**	40,813
Other income, other gains and losses	*5*	**2,935**	3,851
Impairment losses under expected credit loss model, net of reversal		**(1,106)**	(125)
Selling and distribution expenses		**(12,101)**	(10,908)
Administrative expenses		**(26,449)**	(19,487)
Listing expenses		**–**	(10,401)
Finance costs	*6*	**(2,403)**	(699)
Profit before taxation		**2,561**	3,044
Income tax expense	*7*	**(2,245)**	(2,694)
Profit for the year	*8*	**316**	350
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**(5,500)**	(11,283)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**483**	896
Other comprehensive expense for the year		**(5,017)**	(10,387)
Total comprehensive expense for the year		**(4,701)**	(10,037)
Earnings per share – basic (HK cents)	*10*	**0.04**	0.06

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		HK$'000	*HK$'000*
		Unaudited	Audited
NON-CURRENT ASSETS			
Plant and equipment		**43,850**	46,832
Right-of-use assets		**13,458**	–
Intangible assets		**51,614**	47,570
Deposits paid for acquisition of plant and equipment and intangible assets		**4,526**	2,920
Deposits		**561**	608
Deferred tax assets		**2,968**	3,093
		116,977	101,023
CURRENT ASSETS			
Inventories		**32,723**	21,130
Trade and bills receivables	*11(a)*	**107,889**	74,166
Other receivables, prepayments and deposits	*11(b)*	**12,270**	3,303
Bank deposits		**38,923**	60,096
Bank balances and cash		**12,862**	15,410
		204,667	174,105
CURRENT LIABILITIES			
Trade and other payables	*12*	**12,450**	12,223
Contract liabilities	*13*	**326**	172
Lease liabilities	*14*	**2,572**	–
Deferred income		**1,309**	1,327
Tax payable		**1,796**	1,399
Bank borrowings		**50,406**	13,786
		68,859	28,907
NET CURRENT ASSETS		**135,808**	145,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**252,785**	246,221
NON-CURRENT LIABILITIES			
Lease liabilities	*14*	**12,845**	–
Deferred income		**7,513**	9,093
		20,358	9,093
NET ASSETS		**232,427**	237,128
CAPITAL AND RESERVES			
Share capital	*15*	**7,055**	7,055
Reserves		**225,372**	230,073
		232,427	237,128

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000 (note i)*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000 (note ii)*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 2018 (audited)	**– ***	**30,000**	**100,000**	**1**	**(3,654)**	**4,193**	**11,455**	**141,995**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**350**	**350**
Exchange differences arising on translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**(11,283)**	**–**	**–**	**(11,283)**
Exchange differences arising on translation of foreign operation	**–**	**–**	**–**	**–**	**896**	**–**	**–**	**896**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(10,387)**	**–**	**350**	**(10,037)**
Issue of new shares	**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)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**1,583**	**(1,583)**	**–**
At 31 December 2018 (audited)	**7,055**	**128,115**	**100,000**	**1**	**(14,041)**	**5,776**	**10,222**	**237,128**
Profit for the year	–	–	–	–	–	–	316	316
Exchange differences arising on translation from functional currency to presentation currency	–	–	–	–	(5,500)	–	–	(5,500)
Exchange differences arising on translation of foreign operation	–	–	–	–	483	–	–	483
Total comprehensive (expense) income for the year	–	–	–	–	(5,017)	–	316	(4,701)
Transfer to statutory reserve	–	–	–	–	–	1,472	(1,472)	–
At 31 December 2019 (unaudited)	7,055	128,115	100,000	1	(19,058)	7,248	9,066	232,427

* *Less than HK$1,000*

notes:

(i) On 1 April 2016, Niche-Tech BVI Limited ("**Niche-Tech BVI**"), which was then wholly and directly owned by Chows Electronics, which had been, in turn, owned as to 55% by Professor Chow Chun Kay, Stephen ("**Professor Chow**") and 45% by Mr. Chow Bok Hin, Felix ("**Mr. Chow**"), acquired Niche-Tech Holdings Limited ("**Niche-Tech Holdings**"), which had been the holding company of 汕頭市駿碼凱撒有限公司, or Niche-Tech Kaiser (Shantou) Limited* ("**Niche-Tech Shantou**") and Niche-Tech (Hong Kong) Limited ("**Niche-Tech (HK)**"), from Chows Electronics for a consideration of HK$100,000,000, which was equivalent to the then issued share capital of Niche-Tech Holdings. Accordingly, the share capital of Niche-Tech Holdings had been eliminated as one of the subsidiaries of Niche-Tech BVI and transferred to other reserve.

Pursuant to a resolution passed by the board of directors of Chows Electronics, Chows Electronics determined to waive the consideration payable by Niche-Tech BVI for the acquisition of Niche-Tech Holdings.

(ii) It represents statutory reserve of the Group's subsidiary in the People's Republic of China (the "**PRC**"). According to the relevant laws in the PRC, the Group's subsidiary in the PRC is required to transfer at least 10% of its net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

* *English name for identification purpose only.*

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 May 2018. The addresses of the registered office and principal place of business of the Company are Unit 208, 2/F, Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the development, manufacture and sales of semiconductor packaging materials.

The functional currency of the Company is Renminbi ("**RMB**"). The unaudited 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 unaudited consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and has not applied this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 5%.

	At 1 January 2019 *HK$'000* Unaudited
Operating lease commitments disclosed as at 31 December 2018	22,355
Add: Change in allocation basis between lease and non-lease components	866
Less: Recognition exemption - short term lease	(31)
	23,190
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	18,716
Analysed as	
Current	2,861
Non-current	15,855
	18,716

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000* Unaudited
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	18,716
Less: Accrued lease liability at 1 January 2019 *(note)*	(1,582)
	17,134

note: The carrying amount of right-of-use assets as at 1 January 2019 comprises of accrued lease liability amounting to HK$1,582,000 as at 1 January 2019. This relates to accrued lease liability of an operating lease of a property in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liability under trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
	Audited	Unaudited	Unaudited
Right-of-use assets	–	17,134	17,134
Lease liabilities	–	18,716	18,716
Trade and other payables – accrued lease liability	1,582	(1,582)	–

Right-of-use assets of HK$17,134,000 as at 1 January 2019 relating to operating leases were recognised upon application of HKFRS 16.

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

Revenue from sales of semiconductor packaging materials is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer specific location. Following delivery, the customer has full discretion over the manner of usage and consumption of the goods, has the primary responsibility on selling the goods and bears the risk of obsolescence and loss in relation to the goods.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

An analysis of revenue by major products is as follows:

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Bonding wire	**170,927**	142,649
Encapsulant	**27,069**	28,731
Others	**15,010**	13,059
	213,006	184,439

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:

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
PRC excluding Hong Kong	**211,475**	180,045
Hong Kong	**1,531**	4,394
	213,006	184,439

Information about the Group's non-current assets (excluding financial assets and deferred tax assets) is presented based on the geographical location of the assets:

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
PRC excluding Hong Kong	**105,466**	93,907
Hong Kong	**7,982**	3,415
	113,448	97,322

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Customer A	**47,684**	55,536
Customer B	**22,027**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group for the year.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Bank interest income	**898**	661
Government subsidy income	**1,701**	1,634
Net gain (loss) on disposal of plant and equipment	**13**	(14)
Net foreign exchange gains	**308**	1,569
Others	**15**	1
	2,935	3,851

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Interest on bank borrowings	**994**	633
Interest on discounted bills with recourse	**648**	66
Interest on lease liabilities	**761**	–
	2,403	699

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
The income tax expense comprises:		
PRC Enterprise Income Tax:		
Current year	**2,488**	2,629
Overprovision in prior years	**(290)**	(367)
Deferred tax	**47**	432
	2,245	2,694

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC entities is 25% for both years. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

No provision for Hong Kong Profits Tax is made in the financial statements since the relevant group entities have no assessable profits for both years.

8. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Profit for the year has been arrived at after charging:		
Directors' remuneration		
Fees	**480**	280
Other emoluments, salaries and other benefits	**3,581**	2,405
Retirement benefit scheme contributions	**68**	68
	4,129	2,753
Other staff costs:		
Staff salaries and allowances	**25,877**	21,139
Retirement benefit scheme contributions	**3,197**	3,508
	29,074	24,647
Total staff costs	**33,203**	27,400
Capitalised in intangible assets	**(4,175)**	(3,939)
Capitalised in inventories	**(8,945)**	(8,143)
	20,083	15,318
Depreciation of plant and equipment	**8,067**	7,550
Capitalised in intangible assets	**(1,744)**	(1,708)
Capitalised in inventories	**(2,879)**	(2,928)
	3,444	2,914
Amortisation of intangible assets	**5,316**	4,224
Capitalised in inventories	**(5,111)**	(4,013)
	205	211
Depreciation of right-of-use assets	**3,120**	–
Capitalised in intangible assets	**(250)**	–
Capitalised in inventories	**(476)**	–
	2,394	–
Auditor's remuneration	**1,200**	1,000
Cost of inventories recognised as cost of sales	**171,321**	143,626
Research and development costs (excluding staff costs and depreciation of plant and equipment) recognised as expenses (included in administrative expenses)	**803**	266
Minimum operating lease rentals in respect of rented premises	**46**	3,379

9. DIVIDENDS

No dividend was paid or declared or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Earnings		
Earnings for the purposes of basic earnings per share:		
Profit for the year attributable to owners of the Company	**316**	350
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**705,500,000**	625,693,151

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been adjusted retrospectively for the effect of the capitalisation issue, as set out in note 15, as if the capitalisation issue had been effective on 1 January 2018.

No diluted earnings per share was presented for both years as there were no potential ordinary shares in issue.

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

(a) Trade and bills receivables

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Trade receivables	**64,771**	58,318
Less: Allowance for doubtful debts	**(3,562)**	(2,527)
	61,209	55,791

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 maximum credit limit. 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 dates at the end of the reporting periods.

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
1 – 30 days	**21,380**	16,492
31 – 60 days	**14,714**	11,193
61 – 90 days	**9,735**	8,811
Over 90 days	**15,380**	19,295
	61,209	55,791

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Bills receivables	**46,712**	18,404
Less: Allowance for doubtful debts	**(32)**	(29)
	46,680	18,375

The Group accepts bills issued by banks from its trade customers with satisfactory and trustworthy credit history as settlement of trade debts. The following is an aged analysis of bills receivables based on the issue date of bill at the end of the reporting periods:

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
1 – 30 days	**11,716**	4,948
31 – 60 days	**6,687**	5,292
61 – 90 days	**7,156**	2,508
Over 90 days	**21,121**	5,627
	46,680	18,375

The maturity period of all bills receivables as at 31 December 2019 and 2018 was within 365 days.

(b) Other receivables, prepayments and deposits

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Amount due from a related company *(Note)*	**8,500**	–
Value-added tax recoverable	**1,637**	2,188
Prepayments	**477**	583
Deposits	**99**	168
Other receivables	**1,557**	364
	12,270	3,303

Note:

Amount for technical support services for know-hows chargeable to Chows Global Limited (a company controlled by the Company's controlling shareholders and directors Mr. Chow Bok Hin Felix and Professor Chow Chun Kay Stephen) and settled after year-end.

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Trade payables	**7,023**	7,350
Other payables	**537**	768
Accrued expenses	**4,890**	4,105
	12,450	12,223

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:

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
1 – 30 days	**5,373**	5,510
31 – 60 days	**881**	919
61 – 90 days	**334**	496
Over 90 days	**435**	425
	7,023	7,350

13. CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
	Unaudited	Audited
Amount received in advance of delivery semiconductor packaging materials	**326**	172

14. LEASE LIABILITIES

	2019 *HK$'000* Unaudited
Lease liabilities payable:	
Within one year	2,572
Within a period of more than one year but not more than two years	1,435
Within a period of more than two years but not more than five years	3,939
Within a period of more than five years	7,471
	15,417
Less:Amount due for settlement within 12 months shown under current liabilities	(2,572)
Amount due for settlement after 12 months shown under non-current liabilities	12,845

15. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018 (audited)	38,000,000	380
Increase in authorised share capital on 30 May 2018 *(Note i)*	1,962,000,000	19,620
At 31 December 2018 (audited) and 31 December 2019 (unaudited)	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2018 (audited)	2,000	– *
Issue of shares by capitalisation of share premium account *(Note ii)*	509,998,000	5,100
Issue of new shares *(Note iii)*	195,500,000	1,955
At 31 December 2018 (audited) and 31 December 2019 (unaudited)	705,500,000	7,055

* *Less than HK$1,000*

Notes:

(i) On 8 May 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,962,000,000 shares of HK$0.01 each.

(ii) 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.

(iii) 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.

16. OPERATING LEASES

The Group as lessee

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 *HK$'000* Audited
Minimum lease payments under operating leases:	
Within one year	3,266
In the second to fifth years inclusive	8,475
More than five years	10,614
	22,355

17. CAPITAL COMMITMENTS

	2019 ***HK$'000*** **Unaudited**	2018 *HK$'000* Audited
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– intangible assets	**2,530**	251
– plant and equipment	**708**	534
	3,238	785

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, despite the uncertainties from the global macro-economic environment as a result of the continuing trade tension between the United States of America and the PRC, the PRC continued to be under the world's spotlight and maintained a moderate growth. As an established semiconductor packaging materials manufacturer, the Group continues to sell products directly to more than 400 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC.

During the the year ended 31 December 2019 ("**Review Year**"), in line with the constant growth of semiconductor product industry in PRC, the demand for domestic semiconductor packaging materials has witnessed a stable growth. By implementing its planned growth strategies, the Group's revenue has achieved significant growth especially for gold and silver alloy bonding wires. During the Review Year, the Group also focused on innovation of materials for advanced semiconductors which could be applied to artificial intelligence and 5G industries.

FUTURE STRATEGIES AND PROSPECTS

According to SEMI, the global semiconductor equipment sales was estimated to reach US$57.6 billion in 2019, down by 10.6% from US$64.4 billion in 2018. However, the market is expected to recover gradually in 2020 and reach a new record high of US$66.8 billion in 2021. China will become the largest market for semiconductor equipment with the sales approaching approximately US$16.0 billion in 2021. Under this favourable background, the demand for bonding wires and semiconductor packaging related encapsulants are forecasted to experience an outstanding growth.

As a reputable technology-focused manufacturer, the Group is well equipped with the capabilities of keeping abreast of the latest industry trend through continuous R&D capabilities. In 2020, the Group will continue to develop advanced semiconductor packaging materials and enrich its product mix, so as to catch the opportunities arising from the expected market recovery.

In 2020, the Group will vigorously promote the Liquid Molding Epoxy for mini-LED, which was pioneered by the Group and was successfully trial produced in several famous LED display packaging companies in 2019. It is expected that the Group will receive regular orders in the second quarter of 2020 which will make great contribution to the Group's revenue. In addition, the Group is launching two new products of Die Attach Adhesive, namely LED Insulation Adhesive and LED Electrical Conductive Adhesive, which can be used for semiconductor and 5G industries after certain adjustment. In view of the rapidly growing 5G networks, the Group is putting more resources on developing upstream packaging materials for 5G industry, and is expected to make it become another growing momentum for the Group.

On 11 September 2019, the Company entered into a non-legally binding memorandum (the "**MOU**") with one of its customers and a professor from National Cheng Kung University in Taiwan for the evaluation of a specialised uncoated copper alloy wire product and relevant raw material, and the manufacture of such copper wire product. In the future, the Group will continue to broaden its product portfolio in its bonding wire segment by strengthening its R&D on its wire products and/or acquisition of knowhow and technologies.

Looking ahead, the Group will continue to carry out its proven business strategies, and expand customer base by delivering high-quality and advanced products to meet their changing needs. In addition, to cope with the macroeconomic uncertainties aroused by the continuous Sino-U.S. trade tensions and the global breakout of COVID-19 in the beginning of 2020, the Group will take effective cost control measures, such as streamlining the sales process and improving production efficiency, in order to raise the economic efficiency of the Group and sustain its long-term business growth.

FINANCIAL OVERVIEW

Revenue

The Group's revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Review Year, the Group recorded a revenue of approximately HK$213.0 million, up from approximately HK$184.4 million for the year ended 31 December 2018 ("**Previous Year**"). The revenue of bonding wire products recorded an increase of 19.8% to approximately HK$170.9 million from approximately HK$142.6 million for the Previous Year, mainly due to the increase in the sales volume. The revenue of encapsulant products amounted to approximately HK$27.1 million (2018: approximately HK$28.7 million).

Cost of Sales and Gross Profit

The Group's cost of sales mainly comprises of direct material costs, direct labor costs and manufacturing overhead. During the Review Year, the Group recorded cost of sales of approximately HK$171.3 million (2018: approximately HK$143.6 million). The increase was due to the increase in sales.

The gross profit of the Group slightly grew from approximately HK$40.8 million for the Previous Year to approximately HK$41.7 million for the Review Year. Gross profit margin decreased to approximately 19.6% for the Review Year from approximately 22.1% for the Previous Year, mainly due to the decrease in the average selling price of encapsulant products.

Other Income, Gains and Losses

Other income, gains and losses recorded a profit of approximately HK$2.9 million for the Review Year (2018: approximately HK$3.9 million). The drop was mainly resulted from the decrease in net foreign exchange gains. During the Review Year, the Group recognized net foreign exchange gain of approximately HK$0.3 million as compared to the net foreign exchange gain of approximately HK$1.6 million recorded in the Previous Year.

Expenses

Selling and distribution expenses increased to approximately HK$12.1 million during the Review Year (2018: approximately HK$10.9 million) which was in line with the increase in revenue.

Administrative expenses for the Review Year increased by approximately HK$6.9 million to approximately HK$26.4 million (2018: approximately HK$19.5 million), mainly due to: (i) the increase in staff costs by approximately HK$3.9 million as a result of the increase in headcounts; (ii) the increase in recurring legal and professional compliance fees by approximately HK$1.0 million; and (iii) the increase in depreciation of plant and equipment by approximately HK$0.5 million as a result of the increase in additions of plant and equipment after the listing (the "**Listing**") of the shares (the "**Shares**") of the Company.

There were no non-recurring listing expenses for the Review Year (2018: approximately HK$10.4 million).

Finance costs were increased significantly to approximately HK$2.4 million (2018: approximately HK$0.7 million), mainly due to: (i) the recognition of interest on lease liability of approximately HK$0.8 million as a result of the adoption of new accounting standard and (ii) the increase in bank borrowings.

Profit for the Year

Summing up the combined effects of the foregoing, profit attributable to owners of the Company for the Review Year was approximately HK$316,000 (2018: approximately HK$350,000, or profit of approximately HK$10.8 million excluding the effect of the non-recurring listing expense of approximately HK$10.4 million).

HUMAN RESOURCES MANAGEMENT

As at 31 December 2019, the Group employed 217 full-time employees. The remuneration of employees is presented in Note 8 to the unaudited consolidated financial statements. Based on the Group's remuneration policy, the employees' remuneration 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 continued professional opportunities according to their needs.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the Review Year, the Group took steps to expand and upgrade its production facilities in all its products across the board. The expansion and upgrading involved a total investment of HK$13.2 million, for which the Group expended HK$4.7 million covering all the production facilities and Chows Global Limited (a company controlled by the Company's controlling shareholders and directors Mr. Chow Bok Hin Felix and Professor Chow Chun Kay Stephen) contributed HK$8.5 million towards the Group's G&S bonding wires production facilities pursuant to a technology implementation and license agreement dated 6 September 2017 and which was disclosed on page 187 of the Company's prospectus dated 17 May 2018 (the "**Prospectus**"). The Group's G&S bonding wires production improved from an average production yield of approximately 40% in Q1 2019 to over 80% in Q4 2019, and improved from an average production efficiency from approximately 30km/h in Q1 2019 to 70km/h in Q4 2019.

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$135.8 million as at 31 December 2019 (31 December 2018: approximately HK$145.2 million).

As at 31 December 2019, the Group's current ratio was approximately 3.0 (31 December 2018: approximately 6.0) and the Group's gearing ratio calculated based on dividing the total borrowings at the end of the Review Year by the total equity at the end of the Review Year was approximately 21.7% (31 December 2018: approximately 5.8%). The main reason for the above was that bank borrowings were drawn to provide additional funding to the Group for business expansion during the Review Year.

The Group's variable-rate bank borrowings carried interests at 2.80% over Hong Kong Interbank Offered Rate per annum. The effective interest rates was 4.84% as at 31 December 2019 (2018: 4.93%).

The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) at 4.04% per annum as at 31 December 2019 (2018: nil).

As at 31 December 2019, the Group's bank borrowings amounted to approximately HK$50.4 million (31 December 2018: approximately HK$13.8 million) were secured by corporate guarantee provided by the Company.

As at 31 December 2019, the Group had total bank facilities of HK$114.5 million (31 December 2018: HK$80 million).

As at 31 December 2019, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$232.4 million, comprised of issued share capital and reserves.

The Shares were listed on the GEM of the Stock Exchange 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 Review Year.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income, cost of sales, administrative expenses, investments and borrowings are mainly denominated in US$, HK$ 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 Review Year. The Group currently does not have a foreign currency hedging policy. However, management will continue to monitor foreign exchange exposure and will take prudence measure to minimize the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

As at 31 December 2019, there was no significant pledge on the Group's assets (31 December 2018: Nil).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the 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 unaudited consolidated financial statements.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSAL

During the Review Year, the Group has not made any significant investments or material acquisitions and disposal of subsidiaries.

EVENT AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**AGM**") will be held on or before 30 June 2020. A notice convening the AGM will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders in due course.

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) (the "**Listing Date**") to 31 December 2019.

Business objectives	**Actual business progress up to 31 December 2019**
Expand production capacity and upgrade manufacturing facilities	
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	The Group had upgrade and expanded the G&S bonding wire production line during the second quarter of 2019, which commenced trial run during the second half of 2019.
– 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 year ended 31 December 2019.
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 year ended 31 December 2019.

– 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 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 personnel relation advisor who is responsible for branding and digital marketing work.
General working capital	The Group had relocated its headquarter to Hong Kong Science Park and hired R&D expert and related personnel after the Listing. Additional working capital was required as a result of increase in production capacity.

USE OF PROCEEDS FROM THE LISTING

The Shares were successfully listed on GEM of the Stock Exchange on the Listing Date. The net proceeds from the Listing 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 the Listing Date to 31 December 2019, the net proceeds had been utilised as follows:

	Actual net proceeds from the Listing *HK$ million*	**Amount utilised up to 31 December 2019** *HK$ million*	**Balance as at 31 December 2019** *HK$ million*	**Expected timeline for utilizing the remaining unused net proceeds** *(Note 1)*
Expand production capacity and upgrade manufacturing facilities				
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	41.9	10.2 *(Note 2)*	31.7	From 1.1.2020 to 31.12.2020
– Acquire machineries and equipment for quality control	3.4	3.4	–	–
Devote R&D resources				
– Acquire machineries and equipment for R&D enhancement	19.5	8.2	11.3	From 1.1.2020 to 31.12.2020
– Engage external consultants for R&D projects	5.9	0.9	5.0	From 1.1.2020 to 31.12.2020
Increase sales and marketing activities	5.9	2.3	3.6	From 1.1.2020 to 31.12.2020
General working capital	6.9	6.9	–	–
Total	83.5	31.9 *(Note 2)*	51.6	

As at 31 December 2019, approximately HK$31.9 million out of the net proceeds from the Listing had been used. The majority of the unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

Notes:

1. The expected timeline for utilizing 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.

2. The amount utilised up to 31 December 2019 has been adjusted downward from the disclosure in the 2019 Interim Report as a result of certain technical support services fees having been recharged to a related company.

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 31 December 2019, the interests 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 of the Company

Name of Directors	Nature of interest/ holding capacity	Number of Shares held	Percentage of issued share capital of the Company *(Note 1)*
Mr. Chow *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
Professor Chow *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
	Beneficial owner	510,000	0.07%

Notes:

(1) As at 31 December 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 (the "**BVI Holdings**") is beneficially 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 357,000,000 shares held by BVI Holdings.

(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 (the "**BVI Chows**")	Beneficial owner	6	60.00%
Mr. Chow *(Notes 1 and 2)*	BVI Chows	Beneficial owner	4	40.00%
Professor Chow *(Notes 1 and 2)*	BVI Holdings	Interest in a controlled corporation	10,000,000	100.00%
Mr. Chow *(Notes 1 and 2)*	BVI Holdings	Interest in a controlled corporation	10,000,000	100.00%

Notes:

(1) BVI Chows holds 100% interest in BVI Holdings. BVI Holdings in turn holds 50.60% interest in the Company. Therefore, BVI Chows and BVI Holdings 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 BVI Chow, respectively. BVI Chows holds 100% interest in BVI Holdings. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of BVI Holdings for the purpose of the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executives of the Company had or was deemed to have any other interests 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 31 December 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 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 for being 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 of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of Shares	Percentage of issued share capital of the Company *(Note 1)*
BVI Holdings	Beneficial owner	357,000,000	50.60%
BVI Chows *(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 31 December 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) BVI Chows holds 100% interest in BVI Holdings and is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings for the purpose of the SFO.

(3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested 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 31 December 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 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 for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

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

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

No options have been granted under the Scheme date and up to the date of this announcement since its adoption. No share options lapsed or were exercised or cancelled during the Review Year and there were no outstanding options as at 31 December 2019.

COMPETING INTERESTS

None of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or is interest in any business that competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group during the Review Year.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Titan Financial Services Limited ("**Titan Financial**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Titan Financial dated 1 September 2017 in connection with the Listing, none of Titan Financial or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 December 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the all applicable principles and code provisions in Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules for the Review Year.

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 CG 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 the Required Standard Dealings during the Review Year. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Review Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company's listed securities during the Review Year and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee of the Board with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and C.3.3 and C.3.7 of the CG Code. 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 currently comprises three independent non-executive Directors, namely Professor Ng Wang Wai Charles, Mr. Poon Lai Yin Michael and Mr. Tai Chun Kit. Mr. Poon Lai Yin Michael is the chairman of the audit committee who possesses appropriate professional qualifications or accounting related financial management expertise.

The audit committee has reviewed the unaudited consolidated results of the Company for the Review Year and is of the opinion that the unaudited consolidated results of the Group for the Review Year complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

REVIEW OF UNAUDITED ANNUAL RESULTS AND DELAY IN DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Due to the recent restrictions on travel and work arrangement in the mainland of the PRC and on travel arrangements between the mainland of the PRC and Hong Kong imposed by the PRC government and Hong Kong government to contain the COVID-19 outbreak, the reporting and audit processes of the Group's financial statements for the year ended 31 December 2019 have been disrupted, and the Company is unable to publish an audited annual results announcement and annual report for the year ended 31 December 2019 by 31 March 2020 in accordance with Rules 18.49 and 18.03 of the GEM Listing Rules. The unaudited annual results contained herein have not been agreed by the Company's auditor.

The Company will closely monitor the situations in respect of the travel and work restrictions and quarantine arrangements both in Hong Kong and the PRC, and expects to announce its audited annual results and publish the annual report for the Review Year as soon as practicable, in any event, not later than Friday, 15 May 2020.

An announcement relating to the audited results announcement and the annual report will be made when the auditing process is completed in accordance with Hong Kong Standards on Auditing issued by HKICPA, together with the material differences (if any) as compared with the unaudited annual results contained herein.

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

Hong Kong, 31 March 2020

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, the non-executive Director is Mr. Ma Yung King Leo, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Poon Lai Yin Michael and Mr. Tai Chun Kit.

This announcement will remain on the GEM 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.