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Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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

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

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

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

FINANCIAL HIGHLIGHTS

The Group recorded a revenue of HK\$1,645,803,000 for the nine months ended 30 September 2020 (Nine months ended 30 September 2019: HK\$1,323,491,000).

Profit attributable to owners of the Company for the nine months ended 30 September 2020 amounted to HK\$23,147,000 (Nine months ended 30 September 2019: HK\$19,500,000).

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2020 (Nine months ended 30 September 2019: Nil).

The board of directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the nine months ended 30 September 2020 together with comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

		For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	713,657	510,559	1,645,803	1,323,491
Cost of sales		(692,093)	(491,191)	(1,589,787)	(1,266,050)
Gross profit		21,564	19,368	56,016	57,441
Other income		689	246	1,181	1,464
Other gain or loss		94	–	(76)	–
Impairment loss under expected credit loss model, net of reversal		3	1	(44)	91
Distribution costs		(3,319)	(3,740)	(10,401)	(11,783)
Administrative expenses		(6,632)	(6,024)	(16,263)	(17,401)
Finance costs		(571)	(1,982)	(3,002)	(6,844)
Profit before taxation		11,828	7,869	27,411	22,968
Income tax expense	4	(1,740)	(1,061)	(4,264)	(3,468)
Profit for the period	6	10,088	6,808	23,147	19,500
Other comprehensive loss:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations – subsidiaries		–	(3,517)	–	(3,469)
Total comprehensive income for the period		10,088	3,291	23,147	16,031
Earnings per share (HK cents)	7	1.55	1.04	3.55	2.99
– Basic & diluted					

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Shareholder's contribution reserve HK\$'000	Share Option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	6,528	54,329	25,000	(3,495)	448	-	55,107	137,917
Profit for the period	-	-	-	-	-	-	23,147	23,147
Total comprehensive income for the period	-	-	-	-	-	-	23,147	23,147
Dividend paid	-	-	-	-	-	-	(6,528)	(6,528)
At 30 September 2020	<u>6,528</u>	<u>54,329</u>	<u>25,000</u>	<u>(3,495)</u>	<u>448</u>	<u>-</u>	<u>71,726</u>	<u>154,536</u>
At 1 January 2019	6,503	53,480	25,000	(27)	448	230	53,379	139,013
Profit for the period	-	-	-	-	-	-	19,500	19,500
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	(3,469)	-	-	-	(3,469)
Total comprehensive income for the period	-	-	-	(3,469)	-	-	19,500	16,031
Dividend paid	-	-	-	-	-	-	(6,528)	(6,528)
Share option lapsed	-	-	-	-	-	(132)	132	-
Share option exercised	25	1,153	-	-	-	(98)	-	1,080
At 30 September 2019	<u>6,528</u>	<u>54,633</u>	<u>25,000</u>	<u>(3,496)</u>	<u>448</u>	<u>-</u>	<u>66,483</u>	<u>149,596</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing on 7 January 2016.

2. PRINCIPAL ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2020, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2020 are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs is not expected to have material impact on the condensed financial information of the Group.

3. REVENUE

Revenue represents the sales of electronic components with or without the provision of independent design house services to external parties. The following is an analysis of the Group's revenue by the geographical locations of customers.

	Revenue by geographical market			
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The PRC	392,650	374,440	954,010	978,723
Hong Kong	298,128	121,964	640,485	316,275
Taiwan	22,189	2,181	47,673	11,036
Others	690	11,974	3,635	17,457
	<u>713,657</u>	<u>510,559</u>	<u>1,645,803</u>	<u>1,323,491</u>

Revenue from a customer individually contributing over 10% of the Group's revenue is as follows:

	Revenue from customer individually contributing over 10% of the Group's revenue			
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	<u>72,624</u>	<u>N/A*</u>	<u>251,886</u>	<u>N/A*</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits tax	1,730	1,061	4,231	3,468
PRC Enterprise Income Tax ("EIT")	10	—	33	—
	<u>1,740</u>	<u>1,061</u>	<u>4,264</u>	<u>3,468</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two- tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25%.

5. DIVIDEND PAID

	For the nine months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend paid during the period in respect of the previous financial year of HK1 cent (2019: HK1 cent) per share	<u>6,528</u>	<u>6,528</u>
	<u>6,528</u>	<u>6,528</u>

6. PROFIT FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):				
Director's remuneration:				
Staff costs:	–	–	300	300
Salaries and other allowances	2,507	2,945	7,173	8,410
Retirement benefit scheme contributions	331	459	906	1,296
Total staff costs	<u>2,838</u>	<u>3,404</u>	<u>8,079</u>	<u>9,706</u>
Auditor's remuneration	332	317	1,012	985
Bank interest income	(210)	(199)	(516)	(385)
Net exchange loss/(gain)	(94)	144	76	(65)
Cost of inventories recognized as an expense	680,992	479,562	1,565,090	1,244,444
Allowance for inventories, net of reversal	3,138	(647)	(2,520)	(9,780)
Impairment loss under expected credit loss mode, net of reversal – trade receivables	(3)	(1)	44	(91)
Depreciation of property, plant and equipment	169	172	534	605
Depreciation of right-of-use assets	<u>566</u>	<u>531</u>	<u>2,306</u>	<u>2,189</u>

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	<u>10,088</u>	<u>6,808</u>	<u>23,147</u>	<u>19,500</u>
	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of basic earnings per share	<u>652,770</u>	<u>652,770</u>	<u>652,770</u>	<u>652,504</u>

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2020 (Nine months ended 30 September 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit (“IC”) panels) for consumer electronic products such as mobile internet devices (“MID”), electronic learning aids (“ELA”), multi-media player (car infotainment system), smartphone panel modules, set-top boxes (“STB”), and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

As the global coronavirus pandemic showed no signs of relieving, the demand of tablets was boosted. The consumers and business sectors are making use of tablets to facilitate remote work, learning and leisure activities. Our sales of Innolux panel solutions recorded significant growth in the third quarter when comparing with the corresponding period of last year such that MID segment remains the largest revenue segment of the Group.

During the period under review, the upgrade of 4G mobile phones to 5G has accelerated the smartphone sales in China. We benefited from the strong sales performance of those new generation smartphone panel module solutions.

OUTLOOK

The Company believes that the negative impact of the epidemic on the global economy will intensify in the fourth quarter. The Company will continue monitoring the impact and make timely and appropriate responses as and when necessary.

FINANCIAL REVIEW

Revenue

Revenue for the nine months ended 30 September 2020 was HK\$1,645,803,000, increased 24.4% from HK\$1,323,491,000 recorded in the corresponding period of 2019.

Gross Profit

Gross profit for the nine months ended 30 September 2020 was HK\$56,016,000, decreased 2.5% from HK\$57,441,000 recorded in the corresponding period of 2019. Gross profit margin was 3.4%, decreased from 4.3% recorded in the corresponding period of 2019.

Distribution Costs and Administrative Expenses

The Group's operating costs for the reporting period were HK\$26,664,000 (2019: HK\$29,184,000), representing a decrease of 8.6% compared to the corresponding period in 2019.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the nine months ended 30 September 2020 was HK\$23,147,000, increased by 18.7% as compared with HK\$19,500,000 recorded in the corresponding period of 2019.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2020, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of 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")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in shares

Ordinary shares of HK\$0.01 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> ("Dr. Yim") (<i>Note 1</i>)	Beneficial owner and interest in controlled corporation	250,135,861	38.32
Chang Wei Hua (<i>Note 2</i>)	Beneficial owner and interest in controlled corporation	76,847,000	11.77
Wei Wei (<i>Note 3</i>)	Beneficial owner and interest in controlled corporation	76,847,000	11.77
Wong Wai Tai	Beneficial owner	3,300,000	0.51
Tong Sze Chung	Beneficial owner	600,144	0.09
Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.09
Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.09

Notes:

1. Dr. Yim beneficially owns 38,172,861 shares and is the controlling shareholder of S.A.S. Dragon Holdings Limited (“**S.A.S. Dragon**”); he is therefore under the SFO deemed to be interested in 211,963,000 shares held by S.A.S. Investment Company Limited (“**S.A.S. Investment**”) which is a wholly-owned subsidiary of S.A.S. Dragon.
2. Mr. Chang Wei Hua beneficially owns 600,000 shares and 76,247,000 shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. Mr. Wei Wei beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

SHARE OPTIONS

Share option scheme of the Company

The share option scheme was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company on 23 December 2015, which became effective on the Listing Date. A summary of the principal terms of the share option scheme is set out in Appendix IV to the prospectus of the Company dated 31 December 2015.

No option was granted by the Company under the share option scheme during the period.

As at the date of this announcement, save as otherwise approved by shareholders of the Company, the maximum number of shares available for issue under options which may be granted is 60,000,000, representing approximately 9.2% of the number of issued shares of the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed above, at no time during the nine months ended 30 September 2020 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 September 2020, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company 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 under section 336 of the SFO:

Long positions in shares

Ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
S.A.S. Dragon	Interest in controlled corporation	211,963,000	32.47
S.A.S. Investment	Beneficial owner	211,963,000	32.47

Note: S.A.S. Dragon deemed to be interested in the 211,963,000 shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon.

USE OF PROCEEDS

On 7 January 2016, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$30 million.

The change of use of the net proceeds was approved by the Board of Directors of the Company on 15 March 2018.

The revised use of the net proceeds from the Placing is set out as follows:

Uses	Original allocation (HK\$ million)	Revised allocation (HK\$ million)	Actual use of proceeds as at 30 September 2020 (HK\$ million)	Balance as at 30 September 2020 (HK\$ million)	Expected timeline of full utilization of the balance
Upgrading the Group's ERP system	4.6	4.6	0.6	4.0	By end of 2021
Expanding the Group's ELA business by engaging in:					
– Research and development staff expenses	2.5	2.5	2.5	–	N/A
– Equipment purchases	8.7	8.7	1.2	7.5	By end of 2021
	11.2	11.2	3.7	7.5	
Expanding the Group's product range by engaging in:					
– Car infotainment	2.8	2.8	2.8	–	N/A
– Drones Wi-Fi Transmission	2.8	2.8	2.8	–	N/A
– Artificial Intelligence and Internet-of-Things	–	5.6	1.3	4.3	By end of 2021
– Others	5.6	–	–	–	N/A
	11.2	11.2	6.9	4.3	
General working capital	3.0	3.0	3.0	–	N/A
Total	30.0	30.0	14.2	15.8	

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the “**CG Code**”) throughout the nine months ended 30 September 2020, except for the following deviation:

Under the code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is very low. The Company will consider to make such an arrangement as and when it thinks necessary.

RELATIONSHIP BETWEEN BOARD MEMBERS

Both Mr. Shea Chun Lok, Quadrant (“**Mr. Shea**”) and Dr. Yim serve on the boards of the Company and Asia Allied Infrastructure Holdings Limited (“**Asia Allied**”). Mr. Shea is the executive director, chief financial officer and company secretary of Asia Allied and is an independent non-executive Director of the Company (the “**INED**”). Dr. Yim is the chairman and executive Director of the Company and is an independent non-executive director of Asia Allied. Taking into consideration their roles in the business activities of, and the relationship between the two companies, the Company considers that such cross-directorship relationship would not affect Mr. Shea in performing his duties as the INED.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the unaudited consolidated financial statements for the nine months ended 30 September 2020.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the nine months ended 30 September 2020.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication.

On behalf of the Board
Hi-Level Technology Holdings Limited
Dr. Yim Yuk Lun, Stanley *BBS JP*
Chairman

Hong Kong, 6 November 2020

As at the date of this announcement, the Board comprises four executive directors, namely Dr. Yim Yuk Lun, Stanley BBS JP, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung; one non-executive Director, Mr. Wong Wai Tai and three independent non-executive directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.hi-levelhk.com.