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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

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\$718,037,000 for the three months ended 31 March 2021 (Three months ended 31 March 2020: HK\$407,213,000).

Profit attributable to owners of the Company for the three months ended 31 March 2021 amounted to HK\$13,503,000 (Three months ended 31 March 2020: HK\$4,582,000).

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2021 (Three months ended 31 March 2020: Nil).

The board of Directors of the Company (the “**Board**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2021 together with last year’s comparative figures are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		For the three months ended 31 March	
		2021	2020
	<i>Notes</i>	HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	3	718,037	407,213
Cost of sales		(692,747)	(392,603)
Gross profit		25,290	14,610
Other income		339	272
Other gain or loss		224	(10)
Impairment losses under expected credit loss model, net of reversal/(provision)		704	(30)
Distribution costs		(3,336)	(2,949)
Administrative expenses		(6,605)	(5,036)
Finance costs		(303)	(1,406)
Profit before taxation		16,313	5,451
Income tax expense	4	(2,810)	(869)
Profit for the period	6	13,503	4,582
Total comprehensive income for the period		13,503	4,582
Earnings per share (HK cents)	7		
– Basic & diluted		2.07	0.70

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Shareholder's contribution reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	6,528	54,329	25,000	1,708	-	448	80,706	168,719
Profit for the period	-	-	-	-	-	-	13,503	13,503
Total comprehensive income for the period	-	-	-	-	-	-	13,503	13,503
Dividend declared	-	-	-	-	16,319	-	(16,319)	-
At 31 March 2021	<u>6,528</u>	<u>54,329</u>	<u>25,000</u>	<u>1,708</u>	<u>16,319</u>	<u>448</u>	<u>77,890</u>	<u>182,222</u>
At 1 January 2020	6,528	54,329	25,000	(3,495)	-	448	55,107	137,917
Profit for the period	-	-	-	-	-	-	4,582	4,582
Total comprehensive income for the period	-	-	-	-	-	-	4,582	4,582
At 31 March 2020	<u>6,528</u>	<u>54,329</u>	<u>25,000</u>	<u>(3,495)</u>	<u>-</u>	<u>448</u>	<u>59,689</u>	<u>142,499</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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. SIGNIFICANT 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 2021, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2021 are consistent with those of the annual financial statements for the year ended 31 December 2020, 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 2020.

Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued an amended HKFRSs that is first effective for the current accounting period of the Group:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The amended HKFRS has no material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

3. REVENUE

Revenue represents the sales of electronic components with/without the provision of independent design house service 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 ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC	442,094	228,865
Hong Kong	263,383	164,380
Taiwan	8,182	11,171
Others	4,378	2,797
	718,037	407,213

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

	Revenue by from a customer	
	individually contributing	
	over 10% of the Group's revenue	
	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	N/A*	93,610

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

4. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong profits tax	<u>2,810</u>	<u>869</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

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2021 (Three months ended 31 March 2020: Nil).

6. PROFIT FOR THE PERIOD

	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):	300	300
Directors' remuneration		
Staff costs:		
Salaries and other allowances	2,529	1,890
Retirement benefit scheme contributions	577	280
Total staff costs	3,106	2,170
Auditor's remuneration	212	347
Bank interest income	(271)	(241)
Net exchange (gain)/loss	(224)	10
Cost of inventories recognised as an expense	680,939	393,230
(Reversal of) allowance for inventories	–	(2,106)
Impairment loss under expected credit loss mode, net of (reversal)/provision		
– trade receivables	(704)	30
Depreciation of property, plant and equipment	188	182
Depreciation of right-of-use assets	1,262	868
Government grants	–	(30)
Operating lease rental in respect of offices and warehouses paid/payable to		
– third parties	719	699
– substantial shareholder and its subsidiaries	777	249

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	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	13,503	4,582
	=====	=====
	For the three months ended	
	31 March	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	652,770	652,770
	=====	=====

INTERIM DIVIDEND

The board does not recommend the payment of interim dividend for the three months ended 31 March 2021 (Three months ended 31 March 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

In the first quarter of 2021, remote working and learning in the wake of the coronavirus pandemic (COVID-19) has boosted the demand for consumer electronic products, in turn driving up the demand for panels. Moreover, shortages of materials and components have provided some rooms for hikes in the price of panels. Our sales of Innolux panel solutions recorded significant growth in the first quarter when comparing to the corresponding period of last year such that MID segment remains the largest revenue segment of the Group. Also, the upgrade of mobile phones from 4G to 5G have contributed to the significant revenue growth of our smartphone panel module solutions.

Under the epidemic situation, demand for products of epidemic prevention increased. Our Realtek IC solutions have been successfully promoted to customers that focus on producing intelligent temperature measurement and smart home appliances.

OUTLOOK

The Company believes that the electronic market always introduce new products for stimulating the future growth driven by new technology development.

2021 is expected to be the year when mini LED illuminates the display market and it is currently being design-in for gaming and smart watch application displays. The Group has invested resources in the development of mini LED panel solutions. Also under the rapid development of electric vehicles, we are promoting our IC and panel solutions to automotive factories.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2021, the Group achieved sales revenue of HK\$718,037,000 increased by 76.3% from HK\$407,213,000 as recorded in the corresponding period of 2020. The increase was primarily attributable to our increased sales to MID and Smartphone Panel Modules customers.

Gross Profit

Gross profit for the three months ended 31 March 2021 was HK\$25,290,000 increased 73.1% from HK\$14,610,000 as recorded in the corresponding period of 2020. Gross profit margin was 3.52%, decreased from 3.59% as recorded in the corresponding period of 2020.

Distribution Costs and Administrative Expenses

The Group's operating costs for the reporting period were HK\$9,941,000 (2020: HK\$7,985,000), representing an increase of 24.5% as compared to the corresponding period in 2020. This was mainly attributable to the increase in operating expenses such as transportation and logistics charge and staff costs incurred during the period under review.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the three months ended 31 March 2021 was HK\$13,503,000 increased by 194.7% as compared with HK\$4,582,000 recorded in the corresponding period of 2020, which was mainly attributable to the increase in revenue during the period under review.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2021, 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	254,275,861	38.95
Chang Wei Hua (<i>Note 2</i>)	Interest in controlled corporation	76,847,000	11.77
Wei Wei (<i>Note 3</i>)	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 42,312,861 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 OPTION

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 scheme as disclosed above, at no time during the three months ended 31 March 2021 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 31 March 2021, 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	<u>211,963,000</u>	<u>32.47</u>

Note: S.A.S. Dragon is 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 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 31 March 2021 (HK\$ million)	Balance as at 31 March 2021 (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	1.5	4.1	By end of 2021
– Others	5.6	–	–	–	N/A
	11.2	11.2	7.1	4.1	
General working capital	3.0	3.0	3.0	–	N/A
Total	30.0	30.0	14.4	15.6	

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 three months ended 31 March 2021, 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 three months ended 31 March 2021.

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 three months ended 31 March 2021.

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 May 2021

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.