



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 Report **2023**



This First Quarterly Report is printed on environmentally friendly paper

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*This report, 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 report 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 report misleading.*

FINANCIAL HIGHLIGHTS

The Group recorded a revenue of HK\$312,280,000 for the three months ended 31 March 2023 (Three months ended 31 March 2022: HK\$472,838,000).

Profit attributable to owners of the Company for the three months ended 31 March 2023 amounted to HK\$4,182,000 (Three months ended 31 March 2022: HK\$5,038,000).

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2023 (Three months ended 31 March 2022: Nil).

The board of Directors of the Company (the “**Board**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2023 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 2023

		For the three months ended 31 March	
		2023	2022
Notes		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	312,280	472,838
Cost of sales		(296,935)	(457,297)
Gross profit		15,345	15,541
Other income		348	245
Other gain/(loss)		170	(55)
Impairment losses under expected credit loss model, net of provision		(278)	(344)
Distribution costs		(3,622)	(3,654)
Administrative expenses		(4,991)	(5,497)
Finance costs		(2,790)	(1,198)
Profit before taxation		4,182	5,038
Income tax expense	4	–	–
Profit for the period	6	4,182	5,038
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
– subsidiaries		6,270	–
Total comprehensive income for the period		10,452	5,038
Earnings per share (HK cents)	7		
– Basic & diluted		0.64	0.77

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Shareholder's contribution reserve HK\$'000	(Accumulated loss)/retained profits HK\$'000	Total HK\$'000
At 1 January 2023	6,528	54,329	25,000	(1,462)	448	(57,640)	27,203
Profit for the period	-	-	-	-	-	4,182	4,182
Exchange differences arising on translation of foreign operations: - subsidiaries	-	-	-	6,270	-	-	6,270
Total comprehensive income for the period	-	-	-	6,270	-	4,182	10,452
At 31 March 2023	6,528	54,329	25,000	4,808	448	(53,458)	37,655
At 1 January 2022	6,528	54,329	25,000	6,275	448	10,905	103,485
Profit for the period	-	-	-	-	-	5,038	5,038
Total comprehensive income for the period	-	-	-	-	-	5,038	5,038
At 31 March 2022	6,528	54,329	25,000	6,275	448	15,943	108,523

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 Act, 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 2023, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2023 are consistent with those of the annual financial statements for the year ended 31 December 2022, 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 2022.

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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amended HKFRSs 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

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The PRC	225,896	350,433
Hong Kong	75,332	106,193
Taiwan	10,184	15,485
Others	868	727
	312,280	472,838

No customer individually contributed over 10% of the Group's revenue for the three months ended 31 March 2023.

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's Hong Kong subsidiaries have available estimated tax losses brought forward to set off against assessable profit for the three months ended 31 March 2023 and 2022.

5. DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2023 (Three months ended 31 March 2022: Nil).

6. PROFIT FOR THE PERIOD

	For the three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	300	300
Staff costs:		
Salaries and other allowances	1,345	1,570
Retirement benefit scheme contributions	681	766
Total staff costs	2,026	2,336
Auditor's remuneration	218	212
Bank interest income	(277)	(245)
Net exchange gain	(170)	(55)
Cost of inventories recognised as an expense	295,312	451,985
(Reversal of) allowance for inventories	(26,324)	(26,362)
Impairment loss under expected credit loss mode, net of provision		
– trade receivables	278	344
Depreciation of property, plant and equipment	68	205
Depreciation of right-of-use assets	691	696
Operating lease rental in respect of offices and warehouses paid/payable to		
– third parties	776	789
– substantial shareholder and its subsidiaries	738	747

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	4,182	5,038
	For the three months ended 31 March	
	2023 '000 (Unaudited)	2022 '000 (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 2023 (Three months ended 31 March 2022: 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.

The Group’s sales in the first quarter was slightly better than expected. However, as the overall consumer electronic market remained weak, sales decreased by 34% and gross profit decreased by 1% respectively as compared with the corresponding period of last year. Coupled with the high US dollar interest rates added to the burden of business operations, most customers have adopted a more conservative business strategy to cope with the current economic situation.

OUTLOOK

The Company believes that the traditional consumer electronic market has been facing stagnant growth. Therefore, we are currently in the process of developing products as below:

With the lifting of the pandemic restrictions in China, the central government is expected to implement various measures to boost the economy and accelerate its recovery. Among the country’s policies, those for the green energy and semiconductor industries are of particular importance. The Group will also adjust its business direction and products to adapt to these trends, is focusing on MCU for new energy vehicle controls, MCU for energy storage equipment, and related applications for electronic paper products. In the past, manufacturers of imported or domestic electric vehicles all used MCUs made in Europe and the United States. With the country’s policy of semiconductor self-reliance, China-made MCUs for vehicles will gradually replace products from Europe and the United States. The Company has obtained domestic semiconductor agency rights that can be applied to the control of new energy vehicles and energy storage equipment. Regarding application products related to energy storage equipment, the drastic fluctuations in energy prices caused by war have made energy storage products of particular interest. Energy storage equipment is broadly divided into battery and power management, with power management consisting of battery protection, charging management, inverter and panel control. The Company is applying domestic MCU to develop related product solutions.

In respect of electronic paper applications, electronic paper is a display panel component with extremely low energy consumption. At present, electronic paper is widely known for its application in electronic tags and e-books, while the most common product in Hong Kong is the new type of parking meter. The Company has obtained the dealership rights of the world's largest supplier, E-ink, and is now developing displays for portable household appliances and test meters. Currently, several foreign manufacturers have already launched projects and tests. The Group believes that above products can provide an impetus for the Company's future sustainable development.

The Company is also developing solutions for various Metaverse hardware applications and expected to drive the future growth of the revenue of the Company.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2023, the Group achieved sales revenue of HK\$312,280,000, decreased by 34% from HK\$472,838,000 recorded in the corresponding period of 2022.

Gross Profit

For the three months ended 31 March 2023, the Group's gross profit was HK\$15,345,000, decreased by 1% from HK\$15,541,000 recorded in the corresponding period of 2022. Gross profit margin was 4.9%, increased from 3.3% recorded in the corresponding period of 2022.

Distribution Costs and Administrative Expenses

For the three months ended 31 March 2023, the Group's operating costs (distribution cost and administrative expenses) was HK\$8,613,000, decreased by 6% from HK\$9,151,000 recorded in the corresponding period in 2022.

Profit Attributable to Owners of the Company

For the three months ended 31 March 2023, the profit attributable to owners of the Company was HK\$4,182,000, decreased by 17% as compared with HK\$5,038,000 recorded in the corresponding period of 2022.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2023, 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") (Note 1)	Beneficial owner and interest in controlled corporation	267,545,861	40.99
Chang Wei Hua (Note 2)	Interest in controlled corporation	76,847,000	11.77
Wei Wei (Note 3)	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 43,122,861 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 224,423,000 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 report, 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 2023 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 2023, 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	224,423,000	34.38
S.A.S. Investment	Beneficial owner	224,423,000	34.38

Note: S.A.S. Dragon is deemed to be interested in the 224,423,000 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 and further change in use of proceeds was approved by the Board of Directors of the Company on 28 December 2021.

Set out below are the revised use of proceeds.

Uses	Original	Revised	Actual use of	Further revised	Balance	Expected
	allocation as stated in the Prospectus (HK\$ million)	allocation as disclosed in 2017 Annual Report (HK\$ million)	proceeds as at 31 December 2021 (HK\$ million)	allocation of unutilized net proceeds as at 31 December 2021 (HK\$ million)		
Upgrading the Group's ERP system	4.6	4.6	0.6	-	4.0	By end of 2024
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)	-	N/A
	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	5.6	-	-	N/A
- Development of Metaverse hardware	-	-	-	7.5	7.5	By end of 2024
- Others	5.6	-	-	-	-	N/A
	11.2	11.2	11.2	7.5	7.5	
General working capital	3.0	3.0	3.0	-	-	N/A
Total	30.0	30.0	18.5	-	11.5	

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 2023, 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 a 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 2023.

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 2023.

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, 5 May 2023

As at the date of this report, 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 report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting. This report will also be posted on the Company’s website at www.hi-levelhk.com.