



Hi-Level Technology Holdings Limited  
揚宇科技控股有限公司

Stock Code: 8113

**2019**  
FIRST QUARTERLY  
REPORT



This First Quarterly Report is printed on environmentally friendly paper

## 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.

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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\$385,792,000 for the three months ended 31 March 2019 (Three months ended 31 March 2018: HK\$495,562,000).

Profit attributable to owners of the Company for the three months ended 31 March 2019 amounted to HK\$4,471,000 (Three months ended 31 March 2018: HK\$7,263,000).

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2019 (Three months ended 31 March 2018: Nil).

The board of Directors of the Company (the “**Board**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2019 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 2019

	Notes	For the three months ended 31 March	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	385,792	495,562
Cost of sales		(369,231)	(475,053)
Gross profit		16,561	20,509
Other income		1,161	34
Distribution costs		(4,039)	(3,208)
Administrative expenses		(6,410)	(7,441)
Finance costs		(1,924)	(1,222)
Profit before taxation		5,349	8,672
Income tax expense	4	(878)	(1,409)
Profit for the period	6	4,471	7,263
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
— subsidiaries		—	157
Total comprehensive income for the period		4,471	7,420
Earnings per share (HK cents)	7		
— Basic		0.69	1.15
— Diluted		0.69	1.14

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital	Share premium	Special reserve	Translation reserve	Shareholder's			Retained profits	Total
					Dividend reserve	contribution reserve	Share option reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019	6,503	53,480	25,000	(27)	—	448	230	53,379	139,013
Profit for the period	—	—	—	—	—	—	—	4,471	4,471
Total comprehensive income for the period	—	—	—	—	—	—	—	4,471	4,471
Share option lapsed	—	—	—	—	—	—	(132)	132	—
Share option exercised	25	1,152	—	—	—	—	(98)	—	1,079
At 31 March 2019	6,528	54,632	25,000	(27)	—	448	—	57,982	144,563
At 1 January 2018	6,267	45,473	25,000	3,178	12,533	448	1,143	49,777	143,819
Profit for the period	—	—	—	—	—	—	—	7,263	7,263
Exchange differences arising on translation of foreign operations									
— subsidiaries	—	—	—	157	—	—	—	—	157
Total comprehensive income for the period	—	—	—	157	—	—	—	7,263	7,420
Recognition of equity-settled share-based payment	—	—	—	—	—	—	11	—	11
Share option exercised	186	6,305	—	—	—	—	(734)	—	5,757
At 31 March 2018	6,453	51,778	25,000	3,335	12,533	448	420	57,040	157,007

## 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 2019, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 31 March 2019 are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 2018.

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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 service to external parties. The following is an analysis of the Group's revenue by the geographical locations of customers.

	<b>Revenue by geographical market</b>	
	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The PRC	<b>285,337</b>	350,861
Hong Kong	<b>93,784</b>	135,923
Taiwan	<b>5,393</b>	7,215
Others	<b>1,278</b>	1,563
	<b>385,792</b>	495,562

There is no customer contributing over 10% of the total revenue of the Group.

#### 4. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax:		
Hong Kong profits tax	878	1,409

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, starting from the year assessment of 2018-2019, 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 (Three months ended 31 March 2018:16.5%).

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%, except that Shenzhen Hi-Level Technology Development Limited was recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 October 2015 such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from 2016 to 2019 and was subject to review once every three years (Three months ended 31 March 2018: 25%).

#### 5. DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2019 (Three months ended 31 March 2018: Nil).



## 6. PROFIT FOR THE PERIOD

For the three months ended 31 March

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	300	300
Staff costs:		
Salaries and other allowances	2,198	2,518
Retirement benefit scheme contributions	436	478
Share-based payment expenses	—	11
Total staff costs	2,634	3,007
Auditor's remuneration	328	285
Bank interest income	(127)	(34)
Net exchange gain	(200)	(374)
Cost of inventories recognised as an expense	370,197	461,460
Reversal of inventory allowance	(5,578)	—
Depreciation of property, plant and equipment	237	298
Government grants	(1,027)	—
Operating lease rental in respect of offices and warehouses paid/payable to		
— third parties	888	936
— substantial shareholder and its subsidiaries	142	128

## 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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	4,471	7,263
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	651,964	630,580
Effect of dilutive potential ordinary shares in respect of share options ('000)	—	7,780
Weighted average number of ordinary shares for diluted earnings per share ('000)	651,964	638,360

## INTERIM DIVIDEND

The board does not recommend the payment of interim dividend for the three months ended 31 March 2019 (Three months ended 31 March 2018: 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 2019, the Group’s shipment level is not satisfactory due to slow business momentum. Our overall revenue for the three months ended 31 March 2019 decreased approximately 22.2% as compared with the corresponding period of 2018.

In the first quarter of 2019, the Company captured new wave of market demand of our smart speaker solutions for domestic and international branded smart speaker manufacturers. However, due to excess supply of LCD screen products that led to downward pressure on domestic panel prices, the sales of ELA solutions declined as compared with corresponding period. Also, the demand for car infotainment systems was weak compared with corresponding period.

In addition, our set-top box customers started to procure our Realtek IC solutions for over the top (OTT) products. We predict there will be large demand of our STB solutions for our customers which specifically focus business in some Mediterranean countries such as Turkey, Egypt and Greece.

## OUTLOOK

The Company believes that the traditional consumer electronics market has been facing stagnant growth. The consumer electronics market needed to introduce new products in order to stimulate future growth. Therefore, the Company is actively involved in solutions of Artificial Intelligence (AI) and Artificial Intelligence Internet of Things (AIOT) plus consumer electronics application. It is expected to drive the growth of the revenue of the Company.

## **FINANCIAL REVIEW**

### **Revenue**

For the three months ended 31 March 2019, the Group achieved sales revenue of HK\$385,792,000 decreased approximately 22.2% from HK\$495,562,000 recorded in the corresponding period of 2018. The decrease was primarily attributable to weakening demand in consumer electronic market due to slow business momentum in the first quarter of 2019.

### **Gross Profit**

Gross profit for the three months ended 31 March 2019 was HK\$16,561,000 decreased approximately 19.3% from HK\$20,509,000 recorded in the corresponding period of 2018. Gross profit margin was 4.3%, increased from 4.1% recorded in the corresponding period of 2018.

### **Distribution Costs and Administrative Expenses**

The Group's operating costs for the reporting period were HK\$10,449,000 (2018: HK\$10,649,000), representing a decrease of approximately 1.9% compared to the corresponding period in 2018.

### **Profit Attributable to Owners of the Company**

The profit attributable to owners of the Company for the three months ended 31 March 2019 was HK\$4,471,000 decreased by approximately 38.4% as compared with HK\$7,263,000 recorded in the corresponding period of 2018.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2019, 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
Yim Yuk Lun, Stanley <i>BBS JP</i> (Note 1)	Beneficial owner and interest in controlled corporation	244,235,861	37.42
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. Mr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 32,272,861 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

### (a) Pre-IPO share option scheme of the Company

Pursuant to the written resolutions of the sole shareholder of the Company passed on 11 October 2015 (the "**Resolutions**"), the Company has adopted a Pre-IPO Share Option Scheme (the "**Pre-IPO Share Option Scheme**").

Under which, share options are granted to directors (including non-executive directors) and employees to the Group and the connected persons of the Company (the "**Grantees**"). The Pre-IPO Share Option Scheme was terminated on 7 January 2016. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme are remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 11 October 2015, options to subscribe for an aggregate of 60,000,000 shares of the Company, representing 10% of the issued share capital of the Company immediately following the completion of the Placing (as defined in the prospectus of the Company dated 31 December 2015), at an exercise price of HK\$0.31 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK\$1 to the Company on acceptance of the offer for the grant of option. Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for two years commencing from the first anniversary of 7 January 2016 (the "Listing Date") of the Company and the remaining 50% for one year commencing from the second anniversary of the Listing Date.

Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share	Options granted as at 11.10.2015	Options lapsed as at 31.3.2019	Options exercised during 2017-2018	Options as at 31.12.2018	Options exercised during the period	Options as at 31.3.2019
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	2,100,000	(600,000)	(1,500,000)	300,000	—	—
Directors	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	2,100,000	(600,000)	(1,200,000)	600,000	(300,000)	—
Others										
Employees and connected persons	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	27,900,000	(2,305,000)	(25,495,000)	950,000	(100,000)	—
Employees and connected persons	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	27,900,000	(3,725,000)	(22,075,000)	4,000,000	(2,100,000)	—
Total					60,000,000	(7,230,000)	(50,270,000)	5,850,000	(2,500,000)	—

**(b) 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.

At as 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 schemes as disclosed above, at no time during the three months ended 31 March 2019 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 2019, 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.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by Alliance Capital Partners Limited ("**Alliance**"), compliance adviser of the Company, Alliance had 1,400,000 shares of the Company as at 31 March 2019.

Save as disclosed above, neither Alliance nor any of its close associates and none of the directors or employees of Alliance had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2019.

Pursuant to the agreement dated 29 December 2015 entered into between Alliance and the Company, Alliance received and will receive fees for acting as our Company's compliance adviser.

## 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 2019 (HK\$ million)
Upgrading the Group's ERP system	4.6	4.6	0.4
Expanding the Group's ELA business by engaging in:			
— Research and development staff expenses	2.5	2.5	2.5
— Equipment purchases	8.7	8.7	0.4
	11.2	11.2	2.9
Expanding the Group's product range by engaging in:			
— Car infotainment	2.8	2.8	2.8
— Drones Wi-Fi transmission	2.8	2.8	2.8
— Artificial Intelligence and Internet-of-Things	—	5.6	—
— Others	5.6	—	—
	11.2	11.2	5.6
General working capital	3.0	3.0	3.0
<b>Total</b>	<b>30.0</b>	<b>30.0</b>	<b>11.9</b>

## **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 2019, 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.

## **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 2019.

## **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 2019.

## 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**  
**Yim Yuk Lun, Stanley** *BBS JP*  
*Chairman*

Hong Kong, 8 May 2019

*As at the date of this report, the Board comprises four executive directors, namely Mr. 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.*