



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

Interim  
Report  
2020



This Interim Report is printed on environmentally friendly paper

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

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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.*

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP* (*Chairman*)  
Mr. Chang Wei Hua (*Chief Executive Officer*)  
Mr. Wei Wei  
Mr. Tong Sze Chung

#### Non-Executive Directors

Mr. Wong Wai Tai

#### Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant  
Mr. Fung Cheuk Nang, Clement  
Mr. Tsoi Chi Ho, Peter

### AUDIT COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tsoi Chi Ho, Peter

### NOMINATION COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tong Sze Chung

### REMUNERATION COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tong Sze Chung

### COMPANY SECRETARY

Mr. Tong Sze Chung

### COMPLIANCE OFFICER

Mr. Tong Sze Chung

### REGISTERED OFFICE

190 Elgin Avenue, George Town  
Grand Cayman KY1-9007  
Cayman Islands

### PRINCIPAL OFFICE

Room 614, 6/F., Tower B  
Hunghom Commercial Centre  
37 Ma Tau Wai Road, Hunghom  
Kowloon, Hong Kong

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited

### AUDITORS

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F., One Pacific Place  
88 Queensway, Hong Kong

### WEBSITE

<http://www.hi-levelhk.com>

### STOCK CODE

The Stock Exchange of Hong Kong Limited:  
8113

**FINANCIAL HIGHLIGHTS**

The Group recorded a revenue of HK\$932,146,000 for the six months ended 30 June 2020 (Six months ended 30 June 2019: HK\$812,932,000).

Profit attributable to owners of the Company for the six months ended 30 June 2020 amounted to HK\$13,059,000 (Six months ended 30 June 2019: HK\$12,692,000).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: HK1 cent).

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

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

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	524,933	427,140	932,146	812,932
Cost of sales		(505,091)	(405,628)	(897,694)	(774,859)
Gross profit		19,842	21,512	34,452	38,073
Other income		220	57	492	1,218
Other gain or loss		(160)	–	(170)	–
Impairment loss under expected credit loss model, net of reversal		(17)	90	(47)	90
Distribution costs		(4,133)	(4,004)	(7,082)	(8,043)
Administrative expenses		(4,595)	(4,967)	(9,631)	(11,377)
Financial costs		(1,025)	(2,938)	(2,431)	(4,862)
Profit before taxation		10,132	9,750	15,583	15,099
Income tax expense	4	(1,655)	(1,529)	(2,524)	(2,407)
Profit for the period	6	8,477	8,221	13,059	12,692
<b>Other comprehensive income:</b> <i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations – subsidiaries		–	48	–	48
Total comprehensive income for the period		8,477	8,269	13,059	12,740
Earnings per share (HK cents) – Basic & diluted	7	1.30	1.26	2.00	1.95

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment		1,894	2,236
Right-of-use assets		2,242	3,731
Club membership		266	266
Rental deposits	8	10	10
		<b>4,412</b>	6,243
<b>Current Assets</b>			
Inventories		279,640	246,552
Trade and other receivables	8	149,907	175,195
Debt instruments at fair value through other comprehensive income	9	11,596	8,256
Tax recoverable		–	4,359
Bank balances and cash		110,817	114,485
		<b>551,960</b>	548,847
<b>Current Liabilities</b>			
Trade and other payables	10	262,090	252,208
Contract liabilities	11	15,057	11,500
Lease liabilities		2,259	3,436
Amount due to a related party	13	360	384
Taxation payable		5,186	1,708
Bank borrowings		120,409	147,577
		<b>405,361</b>	416,813
Net Current Assets		<b>146,599</b>	132,034
Total assets less current liabilities		<b>151,011</b>	138,277
<b>Capital and Reserves</b>			
Share capital	12	6,528	6,528
Reserves		144,448	131,389
Total Equity		<b>150,976</b>	137,917
<b>Non-current Liability</b>			
Lease liabilities		35	360
		<b>151,011</b>	138,277

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Shareholder's contribution 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	-	-	-	-	-	-	-	13,059	13,059
Total comprehensive income for the period	-	-	-	-	-	-	-	13,059	13,059
Dividend declared	-	-	-	-	6,528	-	-	(6,528)	-
At 30 June 2020	6,528	54,329	25,000	(3,495)	6,528	448	-	61,638	150,976
At 1 January 2019	6,503	53,480	25,000	(27)	-	448	230	53,379	139,013
Profit for the period	-	-	-	-	-	-	-	12,692	12,692
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	48	-	-	-	-	48
Total comprehensive income for the period	-	-	-	48	-	-	-	12,692	12,740
Dividend paid	-	-	-	-	-	-	-	(6,528)	(6,528)
Share option lapsed	-	-	-	-	-	-	(132)	132	-
Share option exercised	25	1,153	-	-	-	-	(98)	-	1,080
At 30 June 2019	6,528	54,633	25,000	21	-	448	-	59,675	146,305

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2020*

	<b>For the six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 HK\$'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<b>27,388</b>	106,907
NET CASH GENERATED FROM INVESTING ACTIVITIES	<b>294</b>	181
NET CASH USED IN FINANCING ACTIVITIES	<b>(31,350)</b>	(119,076)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(3,668)</b>	(11,988)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>114,485</b>	115,082
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD Represented by bank balances and cash	<b>110,817</b>	103,094



## 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. 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 2020, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the six months ended 30 June 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 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 30 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The PRC	332,495	318,946	561,360	604,283
Hong Kong	177,977	100,527	342,357	194,311
Taiwan	14,313	3,462	25,484	8,855
Others	148	4,205	2,945	5,483
	<b>524,933</b>	427,140	<b>932,146</b>	812,932

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 ended 30 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	85,652	N/A*	179,262	N/A*

\* 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 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	1,632	1,529	2,501	2,407
PRC Enterprise Income Tax ("EIT")	23	–	23	–
	<b>1,655</b>	1,529	<b>2,524</b>	2,407

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

The final dividend of HK1 cent per share amounting to HK\$6,527,700 for the financial year ended 31 December 2019 was approved on 20 May 2020 and paid on 8 July 2020.

## 6. PROFIT FOR THE PERIOD

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):				
Director's remuneration	–	–	300	300
Staff costs:				
Salaries and other allowances	2,776	3,267	4,666	5,465
Retirement benefit scheme contributions	295	401	575	837
Total staff costs	3,071	3,668	5,241	6,302
Auditor's remuneration	333	340	680	668
Bank interest income	(65)	(57)	(306)	(184)
Net exchange loss/(gain)	160	(9)	170	(209)
Cost of inventories recognized as an expense	490,868	394,685	884,098	764,882
Reversal of allowance for inventories	(3,552)	(3,555)	(5,658)	(9,133)
Impairment loss under expected credit loss mode, net of reversal – trade receivables	17	(90)	47	(90)
Depreciation of property, plant and equipment	183	196	365	433
Depreciation of right-of-use assets	872	1,658	1,740	1,658
Government grants	(157)	–	(187)	(1,027)

## 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 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Earnings:</b>				
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	8,477	8,221	13,059	12,692
	For the three months Ended 30 June		For the six months Ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)	2020 '000 (Unaudited)	2019 '000 (Unaudited)
<b>Number of shares:</b>				
Number of ordinary shares for the purpose of basic earnings per share	652,770	652,770	652,770	652,369

**8. TRADE AND OTHER RECEIVABLES/RENTAL DEPOSITS**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables	<b>129,793</b>	143,813
Less: allowance for credit losses	<b>(749)</b>	(701)
	<b>129,044</b>	143,112
Other receivable, deposits and prepayments	<b>20,873</b>	32,093
Total trade and other receivables	<b>149,917</b>	175,205
Less: receivables within twelve months shown under current assets	<b>(149,907)</b>	(175,195)
Rental deposits shown under non-current assets	<b>10</b>	10

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers.

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on due date at the end of each reporting period:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Not past due	<b>91,185</b>	105,964
Overdue by:		
1–30 days	<b>37,591</b>	32,886
31–60 days	<b>268</b>	4,162
61–90 days	–	98
Over 90 days	–	2
	<b>129,044</b>	143,112

**9. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables held for collecting contractual cash flows or factoring to bank	<b>11,596</b>	8,256

**10. TRADE AND OTHER PAYABLES**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables	<b>255,933</b>	239,400
Other payables and accruals	<b>6,157</b>	12,808
Total trade and other payables	<b>262,090</b>	252,208

The credit period on trade payables ranged from 30 days to 60 days.

The following is an ageing analysis of trade payables presented based on the due date at the end of each reporting period:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Not past due	<b>132,248</b>	135,745
Overdue by:		
1–30 days	<b>84,881</b>	81,692
31–90 days	<b>38,532</b>	21,949
Over 90 days	<b>272</b>	14
	<b>255,933</b>	239,400

**11. CONTRACT LIABILITIES**

The amounts represented advance payments from customers for goods. The management expects that the unsatisfied performance obligations will be recognized as revenue within the according to the contract period.

## 12. SHARE CAPITAL

	30 June 2020	
	Number of ordinary shares '000	Amount HK\$'000 (Unaudited)
Authorised: Ordinary shares of HK\$0.01 each	2,000,000	20,000
Issued and fully paid: Ordinary shares of HK\$0.01 each At beginning of the period	652,770	6,528
At 30 June 2020 (unaudited)	652,770	6,528

## 13. AMOUNT DUE TO A RELATED PARTY

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Amount due to a related party (note)	360	384

*note:* The amount due to a related party represented an amount due to a subsidiary of S.A.S. Dragon Holdings Ltd. ("**S.A.S. Dragon**"). It is trade-related, unsecured, interest free with an average credit period of 60 days and denominated in HK\$ which is other than the functional currency of the relevant group entities.

The following is an ageing analysis of the amount due to a related party presented based on the due date at the end of each reporting period.

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Not past due	360	384



## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: HK1 cent).

## 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 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.

Under the epidemic situation, the PRC Ministry of Education has extended the class suspension arrangements for all primary and secondary schools till May 2020, demand for online teaching increased, the tablet market has adapted to these needs. Our sales of Innolux panel solutions recorded significant growth in the second quarter when comparing with the corresponding period of last year such that MID segment remains the largest revenue segment of the Group.

Smartphones sales in China surged sequentially in the second quarter due to the easing of the COVID-19 control measures. Our new generation panel module solutions are well adopted by customers during the period under review and delivered second largest revenue segment of the Group.

### OUTLOOK

The Company recognized the tremendous challenges in the second half of 2020 caused by the COVID-19 epidemic and on-going development of the trade friction between the USA and China and will continue monitoring the impact and make timely and appropriate responses as and when necessary.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2020, the Group achieved sales revenue of HK\$932,146,000, increased 14.7% from HK\$812,932,000 recorded in the corresponding period of 2019.

### Gross Profit

Gross profit for the six months ended 30 June 2020 was HK\$34,452,000, decreased 9.5% from HK\$38,073,000 recorded in the corresponding period of 2019. Gross profit margin was 3.7% decreased from 4.7% recorded in the corresponding period of 2019.

### Distribution Costs and Administrative Expenses

The Group's operating costs for the reporting period were HK\$16,713,000 (2019: HK\$19,420,000), representing a decrease of 13.9% compared to the corresponding period in 2019.

### Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2020 was HK\$13,059,000, increased by 2.9% as compared with HK\$12,692,000 recorded in the corresponding period of 2019.

### Liquidity and Financial Resources

As at 30 June 2020, the Group's current ratio was 136% (31 December 2019: 132%). The Group's principal sources of funds are used to finance working capital and the growth and expansion of the Group's operations. The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 30 June 2020, the Group had bank balances and cash of HK\$110,817,000 (31 December 2019: HK\$114,485,000) and bank borrowings of HK\$120,409,000 (31 December 2019: HK\$147,577,000).

The Group recorded debtors turnover of 27 days for the period under review (2019: 31 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective period, multiplied by 182 days (2019: 181 days).

The Group recorded inventory turnover and average payable period of 53 days and 50 days respectively for the period under review (2019: 56 days and 41 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 30 June 2020, divided by cost of sales for the respective period and multiplied by 182 days (2019: 181 days).

## GEARING RATIO

As at 30 June 2020, the Group's net gearing ratio was 6% (31 December 2019: 24%), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$9,592,000 (31 December 2019: HK\$33,092,000) and Group's total equity of approximately HK\$150,976,000 (31 December 2019: HK\$137,917,000).

## CAPITAL STRUCTURE

Details of the movements in the Company's share capital are set out in note 12 to the condensed financial statements.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

## CHARGE ON ASSETS

As at 30 June 2020, the Group's factored trade receivables with the carrying value of approximately HK\$24 million (2019: HK\$14 million) were pledged to a bank to secure general banking facilities granted to the Group.

## FOREIGN CURRENCY RISK

The Group derives its turnover, make purchases and incurs expenses denominated mainly in Renminbi, US\$ and HK\$. Currently, the Group has not entered into agreements or purchases instruments to hedge the Group's exchange rate risks. The management considers that the foreign exchange risk with respect to US\$ and Renminbi are not significant as HK\$ is pegged to US\$ and transactions denominated in US\$ and Renminbi are mainly carried out by entities with the same functional currency. The exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

## CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitments (31 December 2019: Nil).

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2020, the Group did not hold any significant investment in equity interest in any other company and there were no material acquisitions and disposals of subsidiaries by the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group did not have other plans for material investments or capital assets as at 30 June 2020.

## **INFORMATION ON EMPLOYEES**

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. As at 30 June 2020, the employee headcount of the Group was approximately 100 (31 December 2019: 100).

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 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 BBS JP ("Dr. Yim") (Note 1)	Beneficial owner and interest in controlled corporation	245,455,861	37.60
Chang Wei Hua (Note 2)	Beneficial owner and interest in controlled corporation	76,847,000	11.77
Wei Wei (Note 3)	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 33,492,861 shares and is the controlling shareholder of 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 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 six months ended 30 June 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 June 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 June 2020 (HK\$ million)	Balance as at 30 June 2020 (HK\$ million)	Expected timeline of full utilization of the balance
Upgrading the Group's ERP system	4.6	4.6	0.5	4.1	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	1.0	7.7	By end of 2021
	11.2	11.2	3.5	7.7	
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	1.1	4.5	By end of 2021
– Others	5.6	—	—	—	N/A
	11.2	11.2	6.7	4.5	
General working capital	3.0	3.0	3.0	—	N/A
<b>Total</b>	<b>30.0</b>	<b>30.0</b>	<b>13.7</b>	<b>16.3</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**") through the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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.

Finally, I wish you all stay healthy.

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

Hong Kong, 6 August 2020

*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 Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) 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](http://www.hi-levelhk.com).*