



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8113

## Third Quarterly Report 2021



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## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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**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

	For the nine months ended 30 September		Change
	2021 (Unaudited)	2020 (Unaudited)	
Revenue (HK\$'000)	2,206,347	1,645,803	+34%
Profit attributable to owners of the Company (HK\$'000)	33,217	23,147	+44%
Basic earnings per share (HK cents)	5.09	3.55	+43%
Interim dividend per share (HK cent)	1.00	–	N/A

The board of directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the nine months ended 30 September 2021 together with comparative figures for the previous period are as follows:

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

For the nine months ended 30 September 2021

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	654,772	713,657	2,206,347	1,645,803
Cost of sales		(641,532)	(692,093)	(2,136,900)	(1,589,787)
Gross profit		13,240	21,564	69,447	56,016
Other income		124	689	663	1,181
Other gain or loss		(162)	94	(162)	(76)
Impairment loss under expected credit loss model, net of reversal/(provision)		1,045	3	1,784	(44)
Distribution costs		(3,146)	(3,319)	(10,472)	(10,401)
Administrative expenses		(6,836)	(6,632)	(19,915)	(16,263)
Finance costs		(923)	(571)	(1,806)	(3,002)
Profit before taxation		3,342	11,828	39,539	27,411
Income tax expense	4	(271)	(1,740)	(6,322)	(4,264)
Profit for the period	6	3,071	10,088	33,217	23,147
Total comprehensive income for the period		3,071	10,088	33,217	23,147
Earnings per share (HK cents) – Basic & diluted	7	0.47	1.55	5.09	3.55

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Shareholder's contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	6,528	54,329	25,000	1,708	448	80,706	168,719
Profit for the period	-	-	-	-	-	33,217	33,217
Total comprehensive income for the period	-	-	-	-	-	33,217	33,217
Dividend paid	-	-	-	-	-	(22,847)	(22,847)
At 30 September 2021	6,528	54,329	25,000	1,708	448	91,076	179,089
At 1 January 2020	6,528	54,329	25,000	(3,495)	448	55,107	137,917
Profit for the period	-	-	-	-	-	23,147	23,147
Total comprehensive income for the period	-	-	-	-	-	23,147	23,147
Dividend paid	-	-	-	-	-	(6,528)	(6,528)
At 30 September 2020	6,528	54,329	25,000	(3,495)	448	71,726	154,536

## 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 2021, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 31 September 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 services to external parties. The following is an analysis of the Group's revenue by the geographical locations of customers.

	Revenue by geographical market			
	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The PRC	456,509	392,650	1,417,341	954,010
Hong Kong	160,468	298,128	701,694	640,485
Taiwan	34,306	22,189	73,657	47,673
Others	3,489	690	13,655	3,635
	654,772	713,657	2,206,347	1,645,803

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 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	N/A*	72,624	N/A*	251,886

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

#### 4. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits tax	271	1,730	6,316	4,231
PRC Enterprise Income Tax ("EIT")	–	10	6	33
	<b>271</b>	<b>1,740</b>	<b>6,322</b>	<b>4,264</b>

The Hong Kong Profit Tax is calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for the first HK\$2 million of qualified entity's assessable profits is calculated at 8.25%, which is in accordance with the two-tiered profit tax rates regime with effect from the year of assessment 2018/19.

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

#### 5. DIVIDEND PAID

	For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interim dividend paid during the period in respect of the six months period ended 30 June 2021 of HK1 cent (2020 interim: Nil) per share	6,528	–
	<b>6,528</b>	<b>–</b>



## 6. PROFIT FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 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	2,579	2,507	8,307	7,173
Retirement benefit scheme contributions	336	331	1,647	906
<b>Total staff costs</b>	<b>2,915</b>	<b>2,838</b>	<b>9,954</b>	<b>8,079</b>
Auditor's remuneration	212	332	654	1,012
Bank interest income	(114)	(210)	(585)	(516)
Net exchange (gain)/loss	162	(94)	162	76
Cost of inventories recognized as an expense	670,450	680,992	2,137,086	1,565,090
Allowance for inventories, net of (reversal)	8,908	3,138	7,379	(2,520)
Impairment loss under expected credit loss mode, net of (reversal)/provision – trade receivables	(1,045)	(3)	(1,784)	44
Depreciation of property, plant and equipment	179	169	549	534
Depreciation of right-of-use assets	1,398	566	4,192	2,306
Government grants	–	(467)	–	(654)
Operating lease rental in respect of offices and warehouse paid/payable to – third parties	584	541	2,138	1,015
– substantial shareholder and its subsidiaries	929	692	2,368	2,131

## 7. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 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	3,071	10,088	33,217	23,147
	For the three months ended 30 September		For the nine months ended 30 September	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)	2021 '000 (Unaudited)	2020 '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	652,770

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2021 (Nine months ended 30 September 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 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.

The Group's revenue and profit attributable to owners for the nine months ended 30 September 2021 increased 34% and 44% respectively as our sales of Innolux panel solutions recorded significant growth in the first and second quarter of 2021. The Group's revenue for the three months ended 30 September 2021 decreased by 8% as compared with the corresponding period of 2020. The profit attributable to owners of the Company for the third quarter of 2021 was HK\$3,071,000 decreased by 70% as compared with HK\$10,088,000 recorded in the third quarter of 2020. In the third quarter of 2021, certain our customers chose to delay MID and ELA panel procurements as a result of China's new control measures on private tutoring and on-line gaming. Also China's power restriction resulted in serious impacts on production and shipments of our customers. We had also been affected by tight supply of driver ICs, which was likely to cripple the supply chain, leading to the rapid decrease in the price of panels. Therefore the Group made additional inventory provision for the three months ended 30 September 2021 in relation to possible price drop of panels. Also, our sales of IC solutions with IDH services were not satisfactory as the supply of IC components were still falling far short.

### OUTLOOK

Looking ahead, the sales of IC solutions will enter the traditional peak season in the fourth quarter of 2021. The sales of smartphone panel module solutions in fourth quarter are expected to stabilize as compared with the third quarter of 2021. However, the sales of MID segment will still be weak as the price of panels will continue to fall in the fourth quarter. We will focus on reducing panel inventory to a comfortable level and will actively develop new IC solutions to our target customers by working with new and existing suppliers during the fourth quarter of 2021.

## FINANCIAL REVIEW

### Revenue

For the nine months ended 30 September 2021, the Group achieved sales revenue of HK\$2,206,347,000, increased by 34% from HK\$1,645,803,000 recorded in the corresponding period of 2020.

### Gross Profit

For the nine months ended 30 September 2021, the Group's gross profit was HK\$69,447,000, increased by 24% from HK\$56,016,000 recorded in the corresponding period of 2020. Gross profit margin was 3.2%, decreased from 3.4% recorded in the corresponding period of 2020.

### Distribution Costs and Administrative Expenses

For the nine months ended 30 September 2021, the Group's operating costs (distribution cost and administrative expenses) was HK\$30,387,000, increased by 14% from HK\$26,664,000 recorded in the corresponding period in 2020.

### Profit Attributable to Owners of the Company

For the nine months ended 30 September 2021, the profit attributable to owners of the Company was HK\$33,217,000, increased by 44% as compared with HK\$23,147,000 recorded in the corresponding period of 2020.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 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") (Note 1)	Beneficial owner and interest in controlled corporation	262,665,861	40.24
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 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 219,543,000 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 nine months ended 30 September 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 30 September 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	219,543,000	33.63
S.A.S. Investment	Beneficial owner	219,543,000	33.63

Note: S.A.S. Dragon deemed to be interested in the 219,543,000 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	Balance	Expected timeline of full utilization of the balance
			of proceeds as at 30 September 2021 (HK\$ million)	as at 30 September 2021 (HK\$ million)	
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	5.6	–	By end of 2021
– Others	5.6	–	–	–	N/A
	11.2	11.2	11.2	–	
General working capital	3.0	3.0	3.0	–	N/A
<b>Total</b>	<b>30.0</b>	<b>30.0</b>	<b>18.5</b>	<b>11.5</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 nine months ended 30 September 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 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 nine months ended 30 September 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 nine months ended 30 September 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, 9 November 2021

*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).*