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## **Hi-Level Technology Holdings Limited**

**揚宇科技控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8113)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Hi-Level Technology Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## FINANCIAL HIGHLIGHTS

	<b>2018</b>	2017	Change
	<b>HK\$'000</b>	HK\$'000	
Revenue	<b>1,855,277</b>	2,254,447	-17.71%
Profit attributable to owners of the Company	<b>4,178</b>	37,212	-88.77%
Divided per share (HK cents)			
— Final proposed	<b>1.0</b>	2.0	
— Interim paid	—	1.0	
— Total	<b>1.0</b>	3.0	-66.67%

The board of Directors (the “**Board**”) of Hi-Level Technology Holdings Limited announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 together with last year’s comparative figures are as follows:

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

*FOR THE YEAR ENDED 31 DECEMBER 2018*

	<i>NOTES</i>	<b>2018</b> <b>HK\$’000</b>	2017 HK\$’000
Revenue	3	<b>1,855,277</b>	2,254,447
Cost of sales		<b>(1,800,019)</b>	(2,157,360)
Gross profit		<b>55,258</b>	97,087
Other income		<b>2,864</b>	448
Other gain or loss		<b>(1,131)</b>	-
Reversal of impairment losses, net		<b>1,033</b>	(4,670)
Distribution costs		<b>(15,466)</b>	(14,676)
Administrative expenses		<b>(29,364)</b>	(24,951)
Finance costs		<b>(7,657)</b>	(7,770)
Profit before taxation		<b>5,537</b>	45,468
Income tax expense	4	<b>(1,359)</b>	(8,256)
Profit for the year	5	<b>4,178</b>	37,212
<b>Other comprehensive (expense) income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
— subsidiaries		<b>(3,205)</b>	5,077
Other comprehensive (expense) income for the year		<b>(3,205)</b>	5,077
Total comprehensive income for the year		<b>973</b>	42,289
Earnings per share (HK cents)	7		
— basic		<b>0.65</b>	6.05
— diluted		<b>0.64</b>	5.90

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	<i>NOTES</i>	2018 HK\$'000	2017 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		3,066	639
Club membership		266	266
Rental deposits	8	847	—
		<u>4,179</u>	<u>905</u>
<b>Current Assets</b>			
Inventories		287,310	239,349
Trade and other receivables	8	199,353	167,001
Debt instruments at fair value through other comprehensive income	9	3,943	—
Amounts due from related parties		—	7,634
Taxation recoverable		4,778	—
Bank balances and cash		115,082	92,377
		<u>610,466</u>	<u>506,361</u>
<b>Current Liabilities</b>			
Trade and other payables	10	157,971	197,452
Contract liabilities	11	11,581	—
Amount due to a related party		32	65
Taxation payable		1,392	4,648
Bank borrowings		304,656	161,282
		<u>475,632</u>	<u>363,447</u>
<b>Net Current Assets</b>		<u>134,834</u>	<u>142,914</u>
<b>Total Assets less Current Liabilities</b>		<u><u>139,013</u></u>	<u><u>143,819</u></u>
<b>Capital and Reserves</b>			
Share capital	12	6,503	6,267
Reserves		132,510	137,552
<b>Total Equity</b>		<u><u>139,013</u></u>	<u><u>143,819</u></u>

## NOTES

### 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 (the “**Placing**”) on 7 January 2016 (the “**Listing**”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company acts as an investment holding company. The Group is principally engaged in the sales of electronic products.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Company, United States dollar (“**US\$**”). The directors of the Company consider that presenting the consolidated financial statements in HK\$ is preferable when controlling and monitoring the performance and financial position of the Group.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **2.1 HKFRS 15 *Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the sales of electronic products with/without the provision of independent design house services which arise from contracts with customers:

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 3.

*Summary of effects arising from initial application of HKFRS 15*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 January 2018 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	197,452	(5,245)	192,207
Contract liabilities	—	5,245	5,245
	<u>          </u>	<u>          </u>	<u>          </u>

*Note:* As at 1 January 2018, advances from customers of HK\$5,245,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

*Impact on the consolidated statement of financial position*

	As reported HK\$'000	Adjustment HK\$'000	Amounts without application of HKFRS 15 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	157,971	11,581	169,552
Contract liabilities	11,581	(11,581)	—
	<u>          </u>	<u>          </u>	<u>          </u>

## *Impact on the consolidated statement of cash flows*

	<b>As reported</b>	<b>Adjustment</b>	<b>Amounts without application of HKFRS 15</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating activities			
Decrease in trade and other payables	<b>(32,825)</b>	<b>6,336</b>	(26,489)
Increase in contract liabilities	<b>6,336</b>	<b>(6,336)</b>	—

### **2.2 HKFRS 9 *Financial Instruments***

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

*Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Financial assets at amortised cost (previously classified as loans and receivables) HK\$'000	Debt instruments at fair value through other comprehensive income ("FVTOCI") HK\$'000	Retained profits HK\$'000
Closing balance at 31 December 2017				
— HKAS 39		249,086	—	49,777
<b>Effect arising from initial application of HKFRS 9:</b>				
<b>Reclassification</b>				
From loans and receivables	(a)	(12,284)	12,284	—
<b>Remeasurement</b>				
Impairment under ECL model	(b)	(139)	—	(139)
Opening balance at 1 January 2018		<u>236,663</u>	<u>12,284</u>	<u>49,638</u>

**(a) *Loans and receivables***

As part of the Group's cash flow management and mitigation of credit risk, the Group has the practice of factoring some of the trade receivables from certain debtors to financial institutions before the trade receivables are due for payment and derecognises the trade receivables on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's trade receivables of HK\$12,284,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. The related fair value of those trade receivables was approximately the same as their carrying amounts and no adjustment was made as at 1 January 2018.

**(b) Impairment under ECL model**

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. All balances have been assessed individually.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, amounts due from related parties and bank balances and cash, and debt instruments at FVTOCI, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK\$139,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset, except for the debt instruments which is measured at FVTOCI, the loss allowance for which is recognised against the FVTOCI reserve.

All loss allowances, including trade receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	<b>Trade receivables</b> HK\$'000
At 31 December 2017 — HKAS 39	4,670
Amounts remeasured through opening retained profits	<u>139</u>
At 1 January 2018	<u><u>4,809</u></u>

### 2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standard

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items were not affected by the changes have not been included.

	31 December 2017 (Audited) HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 January 2018 (Restated) HK\$'000
<b>Current assets</b>				
Trade and other receivables	167,001	—	(12,423)	<b>154,578</b>
Debt instruments at FVTOCI	—	—	12,284	<b>12,284</b>
<b>Current liabilities</b>				
Trade and other payables	197,452	(5,245)	—	<b>192,207</b>
Contract liabilities	—	5,245	—	<b>5,245</b>
<b>Capital and Reserves</b>				
Reserves	<u>137,552</u>	<u>—</u>	<u>(139)</u>	<u><b>137,413</b></u>

*Note:* For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020

### 3. REVENUE AND SEGMENT INFORMATION

#### A. For the year ended 31 December 2018

##### (i) *Disaggregation of revenue from contracts with customers*

	<b>For the year ended 31 December 2018 HK\$'000</b>
<b>Type of goods or services</b>	
Sales of electronic products with/without the provision of independent design house services	<u>1,855,277</u>
<b>Geographical markets</b>	
The PRC	1,302,858
Hong Kong	518,521
Taiwan	26,898
Others	7,000
<b>Total</b>	<u>1,855,277</u>
<b>Timing of revenue recognition</b>	
A point in time	<u>1,855,277</u>

##### (ii) *Performance obligations for contracts with customers*

*Sales of electronic products with/without the provision of independent design house services*

The Group sells electronic products with/without the provision of independent design house services directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). The normal credit term is 30 to 90 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for defective products within 7 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

All computer software installation service are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## **B. For the year ended 31 December 2017**

The Group is principally engaged in the sale of electronic products with/without the provision of independent design house services.

The executive directors of the Company have determined that the Group has only one operating and reportable segment throughout both years.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

### ***Geographical information***

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

	<b>Revenue by Geographical market</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC	<b>1,302,858</b>	1,862,112
Hong Kong	<b>518,521</b>	368,337
Taiwan	<b>26,898</b>	23,498
Others	<b>7,000</b>	500
	<b><u>1,855,277</u></b>	<b><u>2,254,447</u></b>

The following is an analysis of the carrying amount of non-current assets by geographical area in which the assets are located:

	<b>Carrying amount of non-current assets</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC	<b>2,506</b>	239
Hong Kong	<b>826</b>	666
	<b><u>3,332</u></b>	<b><u>905</u></b>

### ***Information about major customers***

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

	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A (note)	<b><u>N/A</u></b>	<b><u>259,285</u></b>

*note:* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

#### 4. INCOME TAX EXPENSE

	2018 HK\$'000	2017 HK\$'000
Current tax:		
Hong Kong Profits Tax	1,248	8,147
The PRC Enterprise Income Tax (“EIT”)	—	109
	<u>1,248</u>	<u>8,256</u>
Under (over) provision in prior years:		
Hong Kong Profits Tax	140	—
PRC EIT	(29)	—
	<u>111</u>	<u>—</u>
Income tax expense	<u>1,359</u>	<u>8,256</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, 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%, 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 2015 to 2018 and was subject to review once every three years.

## 5. PROFIT FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	<u>4,619</u>	<u>4,925</u>
Staff costs:		
Salaries and other allowances	18,845	20,395
Performance related incentive payments	—	1,155
Retirement benefit scheme contributions	1,875	1,808
Share-based payment expenses (note i)	<u>10</u>	<u>467</u>
	<u>20,730</u>	<u>23,825</u>
Total staff costs	<u>25,349</u>	<u>28,750</u>
Auditor's remuneration	1,440	1,149
Bank interest income	(127)	(280)
Net exchange loss (gain)	1,059	(311)
Cost of inventories recognised as an expense	1,750,883	2,105,654
Allowance for inventories	12,075	—
Net (reversal of) impairment loss recognised on trade receivables	(1,033)	4,670
— Debt instruments of FVTOCI	(5)	—
Depreciation of property, plant and equipment	623	326
Loss on disposal of property, plant and equipment	3	—
Government grants	1,299	—
Operating lease rental in respect of offices and warehouses paid/payable to		
— a substantial shareholder	393	384
— a related party	127	123
— third parties	<u>3,709</u>	<u>1,294</u>

notes:

- (i) During the year ended 31 December 2018, share-based payment expenses of HK\$11,000 (2017: HK\$543,000) were recognised under the pre-IPO share option scheme of the Company.

## 6. DIVIDENDS

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 Interim of HK\$0.01 per share was declared and paid	—	6,236
2017 Final of HK\$0.02 (2017: 2016 Final of HK\$0.02) per share was declared and paid	<u>12,970</u>	<u>12,208</u>
	<u><b>12,970</b></u>	<u><b>18,444</b></u>

*Note:* Subsequent to the end of the reporting period, a final dividend of HK\$0.01 in respect of the year ended 31 December 2018 (2017: final dividend of HK\$0.02 in respect of the year ended 31 December 2017) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 7. EARNINGS PER SHARE

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

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit for the year for the purpose of basic earnings per share	<u><b>4,178</b></u>	<u><b>37,212</b></u>
Number of shares:	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>645,723</b>	615,580
Effect of dilutive potential shares:		
Share options	<u><b>2,611</b></u>	<u>15,117</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><b>648,334</b></u>	<u><b>630,697</b></u>

## 8. TRADE AND OTHER RECEIVABLES/RENTAL DEPOSITS

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>161,981</b>	143,881
Less: allowance for credit losses	<b>(781)</b>	(4,670)
	<b>161,200</b>	139,211
Other receivables, deposits and prepayments	<b>39,000</b>	27,790
Total trade and other receivables	<b>200,200</b>	167,001
Less: receivables within twelve months shown under current assets	<b>(199,353)</b>	(167,001)
Rental deposits shown under non-current assets	<b>847</b>	—

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK\$161,200,000 and HK\$139,072,000, respectively.

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>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Not pass due	<b>86,430</b>	101,328
Overdue by:		
1–30 days	<b>61,976</b>	31,552
31–60 days	<b>5,685</b>	6,299
61–90 days	<b>3,034</b>	—
Over 90 days	<b>4,075</b>	32
	<b>161,200</b>	139,211

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$7,477,000 which are past due as at the reporting date. Out of the past due balances, HK\$4,075,000 has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2017, the trade receivables that are neither past due nor impaired have the best credit ratings attributable under the internal credit rating system used by the Group.

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$37,883,000 which are past due at the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

#### **Ageing of trade receivables which are past due but not impaired**

	<b>2017</b> HK\$'000
1–30 days	31,552
31–90 days	6,299
Over 90 days	<u>32</u>
	<u><u>37,883</u></u>

#### **Movement in the allowance for doubtful debts**

	<b>2017</b> HK\$'000
1 January	—
Provision for allowance for trade receivables	<u>4,670</u>
31 December	<u><u>4,670</u></u>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period.

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

**2018**  
HK\$'000

Trade receivables held for collecting contractual cash flows or factoring to banks	<u>3,943</u>
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## 10. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	147,536	181,579
Other payables and accruals	<u>10,435</u>	<u>15,873</u>
Total trade and other payables	<u>157,971</u>	<u>197,452</u>

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:

	2018 HK\$'000	2017 HK\$'000
Not pass due	85,850	123,058
Overdue by:		
1–30 days	30,617	50,195
31–90 days	30,876	3,169
Over 90 days	<u>193</u>	<u>5,157</u>
	<u>147,536</u>	<u>181,579</u>

## 11. CONTRACT LIABILITIES

The amounts represented advance payments from customers for goods. The amounts of HK\$5,245,000 that represented the entire contract liabilities balances at the beginning of the year, were recognised as revenue during the year ended 31 December 2018. The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

## 12. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company during the year are as follows:

	<i>Notes</i>	<b>Number of ordinary shares</b>	<b>Amount HK\$</b>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 January 2017, 31 December 2017 and 2018		<u>2,000,000,000</u>	<u>20,000,000</u>
<b>Issued and fully paid:</b>			
At 1 January 2017		600,000,000	6,000,000
Exercise of share options	(a)	<u>26,660,000</u>	<u>266,600</u>
At 31 December 2017		626,660,000	6,266,600
Exercise of share options	(b)	<u>23,610,000</u>	<u>236,100</u>
At 31 December 2018		<u>650,270,000</u>	<u>6,502,700</u>
Balance presented in HK\$'000			
At 31 December 2018			<u>6,503</u>
At 31 December 2017			<u>6,267</u>

*notes:*

- (a) During the year ended 31 December 2017, 26,660,000 share options were exercised and converted into 26,660,000 ordinary shares at the exercise price of HK\$0.31 per share.
- (b) During the year ended 31 December 2018, 23,610,000 share options were exercised and converted into 23,610,000 ordinary shares at the exercise price of HK\$0.31 per share.

## **DIVIDENDS**

The Board has recommended a final dividend of HK1.0 cent per share (2017: final dividend of HK2.0 cents per share) for the year ended 31 December 2018 subject to approval by the shareholders at the forthcoming annual general meeting. Total dividend for the year is HK1.0 cent per share (2017: HK3.0 cents per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 15 May 2019 to 21 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30p.m. on 14 May 2019.

The Register of Members of the Company will be closed from 24 June 2019 to 26 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 21 June 2019. Dividend warrants will be dispatched on 5 July 2019.

## **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 electronics 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 2018, we put more resources on provision of panels and panel modules to our MID, ELA smartphone customers so that the proportion of sales of IC solutions with IDH services was relatively lower than before. However, since third quarter of 2018, the trade war between China and US has weakened demand in the consumer electronic market. The price of panels and panel modules fall sharply and it negatively affected the Group's performance.

## **MID**

MID segment comprises of tablet and smart home speaker products delivered the largest revenue of the Group. In 2018, the sales of tablets solutions decreased as compared with 2017 as the worldwide tablet market has declined since third quarter of 2018.

## **Smartphone Panel Module**

Affected by the trade war and tariff dispute since third quarter of 2018, many smartphone manufacturers slowed down production. The demand for domestic TFT LCD screens was not satisfactory. In response to market changes, our Group shifted its sales focus to the repair market.

## **ELA**

All our major ELA customers have launched new generation of ELA products with large display (10.1 inches) in 2018. However, due to the price competition and excess supply of domestic LCD panels, the market share of the Company in the ELA market dropped slightly.

## **Car Infotainment System**

Sales of cars in China fell in 2018 because of the trade war between China and US and the demand of our car infotainment system solutions dropped.

## **OTT**

Being benefited from the policy of the Belt and Road Initiative, our Group recorded satisfactory sales of our IC solutions to STB customers, especially in the Middle East and Central Asia. Moreover, high-definition broadcasts in South America have also been launched and boosted our revenue.

## **Video Image Device**

Video image device products have always been a stable source of company revenue, hunting cam, sports cameras, aerial cameras and the newly launched visual doorbell solutions had brought satisfactory return to the Group.

## **OUTLOOK**

Looking ahead, under the uncertain global business environment, the Company understands the tremendous challenges in 2019 and is implementing a balance strategy of business development and will increase the proportion of sales of IC solutions with IDH services. Our Group will actively develop new IC solutions to our target customers by working with new and existing suppliers. In first quarter of 2019, the Group has reduced panel inventory to safety level. However, due to slow business momentum in the first quarter, the Group's shipment level is not satisfactory and expects to record a decrease in the consolidated profit attributable to owners of the Company for the three months ending 31 March 2019 as compared for the three months ended 31 March 2018.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2018, the Group achieved sales revenue of HK\$1,855,277,000 decreased approximately 17.71% from HK\$2,254,447,000 recorded in 2017.

### **Gross Profit**

For the year ended 31 December 2018, gross profit was HK\$55,258,000 decreased 43.08% from HK\$97,087,000 recorded last year. Gross profit margin was 2.98%, decreased from 4.31% recorded in 2017.

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

For the year ended 31 December 2018, the Group's operating costs were HK\$44,830,000 (2017: HK\$39,627,000), representing an increase of approximately 13.13% compared to the corresponding period in 2017. This was mainly attributable to increase of professional fee of approximately HK\$2,000,000 related to the proposed transfer of listing and increase of operating expenses such as rental expenses and staff costs incurred in 2018.

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

The profit attributable to owners of the Company for the year ended 31 December 2018 was HK\$4,178,000 decreased by approximately 88.77% as compared with HK\$37,212,000 recorded in 2017. It is due to certain loss making shipments recorded in the fourth quarter of 2018 related to panels and panel modules in order to reduce the Company's inventory level. Moreover, the Group made stock provision for the year ended 31 December 2018 in relation to possible price drop of panels which the Group had bought from a supplier in 2018 for sale to customers in 2019.

## **Liquidity and Financial Resources**

The Group's principal sources of funds are cash generated from operations and bank borrowings. As of 31 December 2018, the Group's current ratio was 128% (31 December 2017: 139%). As of 31 December 2018, the Group had bank balances and cash of HK\$115,082,000 (31 December 2017: HK\$92,377,000) and bank borrowings of HK\$304,656,000 (31 December 2017: HK\$161,282,000). As of 31 December 2018, the Group's net gearing ratio was 136.4% (31 December 2017: 47.9%), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$189,574,000 (31 December 2017: HK\$68,905,000) and Group's total equity of approximately HK\$139,013,000 (31 December 2017: HK\$143,819,000).

The Group recorded debtors turnover of approximately 30 days for the year under review (2017: 25 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective year, multiplied by 365 days.

The Group recorded inventory turnover and payable turnover of 53 days and 33 days respectively for the year under review (2017: approximately 40 days and 40 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2018, divided by cost of sales for the respective year and multiplied by 365 days.

## **Foreign Exchange Risk Management**

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.

## **Employee and Remuneration Policy**

As 31 December 2018, the Group employed approximately 100 employees in the Greater China region. We ensure that their remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses.

Other than medical insurance and provident fund schemes, we also offer share options to our key employees as a long-term incentive who are identified as essential to our Group's operations and future development.

## USE OF PROCEEDS FROM THE LISTING AND CHANGE IN 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 December 2018 (HK\$ million)
<b>Upgrading the Group's ERP system</b>	<b>4.6</b>	<b>4.6</b>	<b>0.4</b>
<b>Expanding the Group's ELA business by engaging in:</b>			
— Research and development staff expenses	2.5	2.5	2.5
— Equipment purchases	8.7	8.7	0.3
	<b>11.2</b>	<b>11.2</b>	<b>2.8</b>
<b>Expanding the Group's product range by engaging in:</b>			
— 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	—	—
	<b>11.2</b>	<b>11.2</b>	<b>5.6</b>
<b>General working capital</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Total</b>	<b><u>30.0</u></b>	<b><u>30.0</u></b>	<b><u>11.8</u></b>

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this announcement.

## **AUDIT COMMITTEE**

The Board established the audit committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the Corporate Governance Code (the “**CG Code**”).

The audit committee comprises three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement, and Mr. Tsoi Chi Ho, Peter. Mr. Shea Chun Lok, Quadrant is the chairman of the 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 audited consolidated financial statements of the Group for the year ended 31 December 2018.

## **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**”) for the year ended 31 December 2018, except for the following deviations:

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.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **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 other business partners for their long-term supports and dedication.

By order of the Board  
**Hi-Level Technology Holdings Limited**  
**Yim Yuk Lun, Stanley**  
*Chairman*

Hong Kong, 26 March 2019

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Yim Yuk Lun, Stanley, 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.*