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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)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

### **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 enquires, 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**

The Group recorded revenue of HK\$1,323,491,000 for the nine months ended 30 September 2019 (Nine months ended 30 September 2018: HK\$1,552,420,000).

Profit attributable to owners of the Company for the nine months ended 30 September 2019 amounted to HK\$19,500,000 (Nine months ended 30 September 2018: HK\$24,202,000).

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2019 (Nine months ended 30 September 2018: Nil).

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 2019 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 2019*

|                                                                                        |       | For the three months ended<br>30 September |             | For the nine months ended<br>30 September |             |
|----------------------------------------------------------------------------------------|-------|--------------------------------------------|-------------|-------------------------------------------|-------------|
|                                                                                        |       | 2019                                       | 2018        | 2019                                      | 2018        |
|                                                                                        | Notes | HK\$'000                                   | HK\$'000    | HK\$'000                                  | HK\$'000    |
|                                                                                        |       | (Unaudited)                                | (Unaudited) | (Unaudited)                               | (Unaudited) |
| Revenue                                                                                | 3     | 510,559                                    | 525,524     | 1,323,491                                 | 1,552,420   |
| Cost of sales                                                                          |       | (491,191)                                  | (504,260)   | (1,266,050)                               | (1,487,644) |
| Gross profit                                                                           |       | 19,368                                     | 21,264      | 57,441                                    | 64,776      |
| Other income                                                                           |       | 246                                        | 2,297       | 1,464                                     | 3,414       |
| Reversal of impairment loss<br>recognized on trade receivables                         |       | 1                                          | —           | 91                                        | —           |
| Distribution costs                                                                     |       | (3,740)                                    | (3,739)     | (11,783)                                  | (11,267)    |
| Administrative expenses                                                                |       | (6,024)                                    | (7,809)     | (17,401)                                  | (23,936)    |
| Finance costs                                                                          |       | (1,982)                                    | (2,065)     | (6,844)                                   | (5,119)     |
| Profit before taxation                                                                 |       | 7,869                                      | 9,948       | 22,968                                    | 27,868      |
| Income tax expense                                                                     | 4     | (1,061)                                    | (1,392)     | (3,468)                                   | (3,666)     |
| Profit for the period                                                                  | 6     | 6,808                                      | 8,556       | 19,500                                    | 24,202      |
| <b>Other comprehensive income/(loss):</b>                                              |       |                                            |             |                                           |             |
| <i>Items that may be reclassified<br/>subsequently to profit or loss:</i>              |       |                                            |             |                                           |             |
| Exchange differences arising on<br>translation of foreign operations<br>— subsidiaries |       | (3,517)                                    | —           | (3,469)                                   | 157         |
| Total comprehensive income<br>for the period                                           |       | 3,291                                      | 8,556       | 16,031                                    | 24,359      |
| Earnings per share (HK cents)                                                          | 7     |                                            |             |                                           |             |
| — Basic                                                                                |       | 1.04                                       | 1.32        | 2.99                                      | 3.77        |
| — Diluted                                                                              |       | 1.04                                       | 1.31        | 2.99                                      | 3.74        |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

|                                                                      | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Special<br>reserve<br><i>HK\$'000</i> | Translation<br>reserve<br><i>HK\$'000</i> | Dividend<br>reserve<br><i>HK\$'000</i> | Shareholder's<br>contribution<br>reserve<br><i>HK\$'000</i> | Share<br>option<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------------|----------------------------------------|-------------------------------------------------------------|-----------------------------------------------|----------------------------------------|--------------------------|
| At 1 January 2019                                                    | 6,503                               | 53,480                              | 25,000                                | (27)                                      | —                                      | 448                                                         | 230                                           | 53,379                                 | 139,013                  |
| Profit for the period                                                | —                                   | —                                   | —                                     | —                                         | —                                      | —                                                           | —                                             | 19,500                                 | 19,500                   |
| Exchange differences arising on translation of<br>foreign operations |                                     |                                     |                                       |                                           |                                        |                                                             |                                               |                                        |                          |
| — subsidiaries                                                       | —                                   | —                                   | —                                     | (3,469)                                   | —                                      | —                                                           | —                                             | —                                      | (3,469)                  |
| Total comprehensive income for the period                            | —                                   | —                                   | —                                     | (3,469)                                   | —                                      | —                                                           | —                                             | 19,500                                 | 16,031                   |
| Dividend paid                                                        | —                                   | —                                   | —                                     | —                                         | —                                      | —                                                           | —                                             | (6,528)                                | (6,528)                  |
| Share option lapsed                                                  | —                                   | —                                   | —                                     | —                                         | —                                      | —                                                           | (132)                                         | 132                                    | —                        |
| Share option exercised                                               | 25                                  | 1,153                               | —                                     | —                                         | —                                      | —                                                           | (98)                                          | —                                      | 1,080                    |
| At 30 September 2019                                                 | <u>6,528</u>                        | <u>54,633</u>                       | <u>25,000</u>                         | <u>(3,496)</u>                            | <u>—</u>                               | <u>448</u>                                                  | <u>—</u>                                      | <u>66,483</u>                          | <u>149,596</u>           |
| At 1 January 2018                                                    | 6,267                               | 45,473                              | 25,000                                | 3,178                                     | 12,533                                 | 448                                                         | 1,143                                         | 49,777                                 | 143,819                  |
| Profit for the period                                                | —                                   | —                                   | —                                     | —                                         | —                                      | —                                                           | —                                             | 24,202                                 | 24,202                   |
| Exchange differences arising on translation of<br>foreign operations |                                     |                                     |                                       |                                           |                                        |                                                             |                                               |                                        |                          |
| — subsidiaries                                                       | —                                   | —                                   | —                                     | 157                                       | —                                      | —                                                           | —                                             | —                                      | 157                      |
| Total comprehensive income for the period                            | —                                   | —                                   | —                                     | 157                                       | —                                      | —                                                           | —                                             | 24,202                                 | 24,359                   |
| Dividend paid                                                        | —                                   | —                                   | —                                     | —                                         | (12,533)                               | —                                                           | —                                             | (437)                                  | (12,970)                 |
| Share option exercised                                               | 218                                 | 7,410                               | —                                     | —                                         | —                                      | —                                                           | (852)                                         | —                                      | 6,776                    |
| At 30 September 2018                                                 | <u>6,485</u>                        | <u>52,883</u>                       | <u>25,000</u>                         | <u>3,335</u>                              | <u>—</u>                               | <u>448</u>                                                  | <u>291</u>                                    | <u>73,542</u>                          | <u>161,984</u>           |

# 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. PRINCIPAL ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2019, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2019 are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

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

|                       |                                                      |
|-----------------------|------------------------------------------------------|
| HKFRS 16              | Leases                                               |
| HK(IFRIC)-Int 23      | Uncertainty over Income Tax Treatments               |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation       |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement            |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2015-2017 Cycle        |

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.

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

## **2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

### **2.1.1 Key changes in accounting policies resulting from application of HKFRS 16**

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *As a lessee*

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

### *Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

## ***2.1.2 Transition and summary of effects arising from initial application of HKFRS 16***

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the People's Republic of China or properties in Hong Kong was determined on a portfolio basis; and



- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

### 3. REVENUE

Revenue represents the sales of electronic components with or 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 |                  |
|           | 2019                                    | 2018            | 2019                                   | 2018             |
|           | <i>HK\$'000</i>                         | <i>HK\$'000</i> | <i>HK\$'000</i>                        | <i>HK\$'000</i>  |
|           | (Unaudited)                             | (Unaudited)     | (Unaudited)                            | (Unaudited)      |
| The PRC   | 374,440                                 | 397,189         | 978,723                                | 1,112,426        |
| Hong Kong | 121,964                                 | 119,989         | 316,275                                | 413,415          |
| Taiwan    | 2,181                                   | 6,146           | 11,036                                 | 20,738           |
| Others    | 11,974                                  | 2,200           | 17,457                                 | 5,841            |
|           | <u>510,559</u>                          | <u>525,524</u>  | <u>1,323,491</u>                       | <u>1,552,420</u> |

There is no customer contributing 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 |                 |
|-----------------------------------|-----------------------------------------|-----------------|----------------------------------------|-----------------|
|                                   | 2019                                    | 2018            | 2019                                   | 2018            |
|                                   | <i>HK\$'000</i>                         | <i>HK\$'000</i> | <i>HK\$'000</i>                        | <i>HK\$'000</i> |
|                                   | (Unaudited)                             | (Unaudited)     | (Unaudited)                            | (Unaudited)     |
| Current income tax:               |                                         |                 |                                        |                 |
| Hong Kong Profits tax             | 1,061                                   | 1,392           | 3,468                                  | 3,697           |
| PRC Enterprise Income Tax ("EIT") | —                                       | —               | —                                      | (31)            |
|                                   | <u>1,061</u>                            | <u>1,392</u>    | <u>3,468</u>                           | <u>3,666</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 year assessment of 2018–2019, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million (Nine months ended 30 September 2018: 16.5%).

Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the Group’s PRC subsidiaries are subject to PRC EIT at the statutory rate of 25%, except that Shenzhen Hi-Level Technology Development Limited was recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 October 2015 such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from 2016 to 2019 and was subject to review once every three years (Nine months ended 30 September 2018: 25%).

## 5. DIVIDEND PAID

|                                                                                                                               | <b>For the nine months<br/>ended 30 September</b> |                      |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------|
|                                                                                                                               | <b>2019</b>                                       | 2018                 |
|                                                                                                                               | <b>HK\$’000</b>                                   | HK\$’000             |
|                                                                                                                               | <b>(Unaudited)</b>                                | (Unaudited)          |
| Final dividend paid during the period in respect of<br>the previous financial year of HK1 cent<br>(2018: HK2 cents) per share | <u>6,528</u>                                      | <u>12,970</u>        |
|                                                                                                                               | <u><b>6,528</b></u>                               | <u><b>12,970</b></u> |

## 6. PROFIT FOR THE PERIOD

|                                                                             | For the three months<br>ended 30 September |                 | For the nine months<br>ended 30 September |                 |
|-----------------------------------------------------------------------------|--------------------------------------------|-----------------|-------------------------------------------|-----------------|
|                                                                             | 2019                                       | 2018            | 2019                                      | 2018            |
|                                                                             | <i>HK\$'000</i>                            | <i>HK\$'000</i> | <i>HK\$'000</i>                           | <i>HK\$'000</i> |
|                                                                             | (Unaudited)                                | (Unaudited)     | (Unaudited)                               | (Unaudited)     |
| Profit for the period has been<br>arrived at after charging<br>(crediting): |                                            |                 |                                           |                 |
| Director's remuneration:                                                    | —                                          | —               | 300                                       | 300             |
| Staff costs:                                                                |                                            |                 |                                           |                 |
| Salaries and other allowances                                               | 2,945                                      | 3,600           | 8,410                                     | 10,119          |
| Retirement benefit scheme<br>contributions                                  | 459                                        | 560             | 1,296                                     | 1,531           |
| Share-based payment expenses                                                | —                                          | —               | —                                         | 11              |
| Total staff costs                                                           | <u>3,404</u>                               | <u>4,160</u>    | <u>9,706</u>                              | <u>11,661</u>   |
| Auditor's remuneration                                                      | 317                                        | 309             | 985                                       | 899             |
| Bank interest income                                                        | (199)                                      | (31)            | (383)                                     | (94)            |
| Net exchange (gain)/loss                                                    | 144                                        | 1,089           | (65)                                      | 692             |
| Government grant                                                            | —                                          | (1,037)         | (1,027)                                   | (1,037)         |
| Cost of inventories recognized<br>as an expense                             | 479,562                                    | 516,572         | 1,244,444                                 | 1,487,415       |
| Reversal of inventory allowance                                             | (647)                                      | —               | (9,780)                                   | —               |
| Reversal of impairment loss<br>recognized on trade receivables              | (1)                                        | —               | (91)                                      | —               |
| Depreciation of property, plant and<br>equipment                            | 172                                        | (397)           | 605                                       | 449             |
| Depreciation of right-of-use assets                                         | <u>531</u>                                 | <u>—</u>        | <u>2,189</u>                              | <u>—</u>        |

## 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<br>ended 30 September |                                        | For the nine months<br>ended 30 September |                                        |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------|-------------------------------------------|----------------------------------------|
|                                                                                                                      | 2019<br><i>HK\$'000</i><br>(Unaudited)     | 2018<br><i>HK\$'000</i><br>(Unaudited) | 2019<br><i>HK\$'000</i><br>(Unaudited)    | 2018<br><i>HK\$'000</i><br>(Unaudited) |
| Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share | <u>6,808</u>                               | <u>8,556</u>                           | <u>19,500</u>                             | <u>24,202</u>                          |
| <b>Number of shares:</b>                                                                                             |                                            |                                        |                                           |                                        |
| Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)                        | 652,770                                    | 648,490                                | 652,504                                   | 641,798                                |
| Effect of diluted potential ordinary shares in respect of share options ('000)                                       | <u>—</u>                                   | <u>4,516</u>                           | <u>—</u>                                  | <u>5,668</u>                           |
| Weighted average number of ordinary shares for diluted earnings per share ('000)                                     | <u><u>652,770</u></u>                      | <u><u>653,006</u></u>                  | <u><u>652,504</u></u>                     | <u><u>647,466</u></u>                  |

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2019 (Nine months ended 30 September 2018: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit (“**IC**”) and panels) for consumer electronic products such as mobile internet devices (“**MID**”), electronic learning aids (“**ELA**”), multi-media 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 volatilities of the political environment, economy and the trade war and tariff dispute between China and the United States of America have led to postponement in taking delivery of orders by certain numbers of consumer electronic customers in China especially in first half of 2019. Our overall revenue for nine months ended 30 September 2019 decreased approximately 14.7% when compared with corresponding period of 2018.

During the period under review, mainland China smart speaker market outperformed other countries and their shipments were twice that of the North America market. We benefited from the growth of domestic smart speaker market and received orders from well-known mainland branded smart speaker manufacturers that stimulated our sales of Innolux panels solutions.

Other than mature demand from our STB customers focused in the South America markets, we are further benefited from set-top box customers that procured our Avalink IC solutions for Over the Top (OTT) products for Korea market.

## **OUTLOOK**

A variety of 5G networks are now live in mainland China. New 5G phones have already been announced from different smartphone brands in recent months. We expected 5G high transmission speed connectively will bring forward a new smartphone replacement cycle by end of 2019 and it will boost solid market demand of our Innolux panels solutions.

Global web giants such as Amazon, Alibaba and Baidu are going to release their new-generation smart speakers. The market still has huge room for growth and we are well prepared to tap such huge business opportunities.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the nine months ended 30 September 2019 was HK\$1,323,491,000, decreased approximately 14.7% from HK\$1,552,420,000 recorded in the corresponding period of 2018.

### **Gross Profit**

Gross profit for the nine months ended 30 September 2019 was HK\$57,441,000, decreased approximately 11.3% from HK\$64,776,000 recorded in the corresponding period of 2018. Gross profit margin was 4.3%, increased from 4.2% recorded in the corresponding period of 2018.

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

The Group's operating costs for the nine months ended 30 September 2019 were HK\$29,184,000, decreased approximately 17.1% from HK\$35,203,000 recorded in the corresponding period in 2018.

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

The profit attributable to owners of the Company for the nine months ended 30 September 2019 was HK\$19,500,000, decreased by approximately 19.4% as compared with HK\$24,202,000 recorded in the corresponding period of 2018.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2019, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

### Long positions in shares

#### *Ordinary shares of HK\$0.01 each of the Company*

| Name of directors                      | Capacity                                                   | Number of<br>issued ordinary<br>shares held | Percentage of<br>issued share<br>capital of the<br>Company |
|----------------------------------------|------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------|
| Yim Yuk Lun, Stanley ( <i>Note 1</i> ) | Beneficial owner and interest<br>in controlled corporation | 245,045,861                                 | 37.54                                                      |
| Chang Wei Hua ( <i>Note 2</i> )        | Beneficial owner and interest<br>in controlled corporation | 76,847,000                                  | 11.77                                                      |
| Wei Wei ( <i>Note 3</i> )              | Beneficial owner and interest<br>in controlled corporation | 76,847,000                                  | 11.77                                                      |
| Wong Wai Tai                           | Beneficial owner                                           | 3,300,000                                   | 0.51                                                       |
| Tong Sze Chung                         | Beneficial owner                                           | 600,144                                     | 0.09                                                       |
| Fung Cheuk Nang, Clement               | Beneficial owner                                           | 600,000                                     | 0.09                                                       |
| Tsoi Chi Ho, Peter                     | Beneficial owner                                           | 600,000                                     | 0.09                                                       |

#### *Notes:*

1. Mr. Yim Yuk Lun, Stanley beneficially owns 33,082,861 shares and is the controlling shareholder of S.A.S. Dragon Holdings Limited (“S.A.S. Dragon”); he is therefore under the SFO deemed to be interested in 211,963,000 shares held by S.A.S. Investment Company Limited (“S.A.S. Investment”) which is a wholly-owned subsidiary of S.A.S. Dragon.
2. Mr. Chang Wei Hua beneficially owns 600,000 shares and 76,247,000 shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. Mr. Wei Wei beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

## SHARE OPTIONS

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

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

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

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

| Grantees                        | Vesting proportion | Vesting date | Exercisable period   | Exercise price per share | Options granted as at 11.10.2015 | Options lapsed as at 30.9.2019 | Options exercised during 2017-2018 | Options as at 31.12.2018 | Options exercised during the period | Options as at 30.9.2019 |
|---------------------------------|--------------------|--------------|----------------------|--------------------------|----------------------------------|--------------------------------|------------------------------------|--------------------------|-------------------------------------|-------------------------|
| Directors                       | 50%                | 6.1.2017     | 7.1.2017 to 6.1.2019 | HK\$0.31                 | 2,100,000                        | (600,000)                      | (1,500,000)                        | 300,000                  | —                                   | —                       |
| Directors                       | 50%                | 6.1.2018     | 7.1.2018 to 6.1.2019 | HK\$0.31                 | 2,100,000                        | (600,000)                      | (1,200,000)                        | 600,000                  | (300,000)                           | —                       |
| Others                          |                    |              |                      |                          |                                  |                                |                                    |                          |                                     |                         |
| Employees and connected persons | 50%                | 6.1.2017     | 7.1.2017 to 6.1.2019 | HK\$0.31                 | 27,900,000                       | (2,305,000)                    | (25,495,000)                       | 950,000                  | (100,000)                           | —                       |
| Employees and connected persons | 50%                | 6.1.2018     | 7.1.2018 to 6.1.2019 | HK\$0.31                 | 27,900,000                       | (3,725,000)                    | (22,075,000)                       | 4,000,000                | (2,100,000)                         | —                       |
| Total                           |                    |              |                      |                          | <u>60,000,000</u>                | <u>(7,230,000)</u>             | <u>(50,270,000)</u>                | <u>5,850,000</u>         | <u>(2,500,000)</u>                  | <u>—</u>                |



## (b) Share option scheme of the Company

Pursuant to a written resolution of the shareholders of the Company dated 23 December 2015, the share option scheme (the “**2015 Scheme**”) was passed on 23 December 2015, which became effective on the Listing Date. The 2015 Scheme was established for the purpose of providing incentives or rewards for the contribution of directors of the Company and the Eligible Persons, and will expire on 22 December 2025. Under the 2015 Scheme, the directors of the Company may at their discretion grant options to the Eligible Persons.

No options was granted by the Company under the 2015 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 2019 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 September 2019, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in shares

#### *Ordinary shares of HK\$0.01 each of the Company*

| Name of shareholders | Capacity                           | Number of issued ordinary shares held | Percentage of issued share capital of the Company |
|----------------------|------------------------------------|---------------------------------------|---------------------------------------------------|
| S.A.S. Dragon        | Interest in controlled corporation | 211,963,000                           | 32.47                                             |
| S.A.S. Investment    | Beneficial owner                   | 211,963,000                           | 32.47                                             |

*Note:* S.A.S. Dragon deemed to be interested in the 211,963,000 shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon.

## 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<br>allocation<br>(HK\$ million) | Revised<br>allocation<br>(HK\$ million) | Actual use<br>of proceeds<br>as at 30<br>September<br>2019<br>(HK\$ million) | Balance<br>as at 30<br>September<br>2019<br>(HK\$ million) | Expected timeline of<br>full utilization of the<br>balance |
|---------------------------------------------------------|------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Upgrading the Group's ERP system                        | 4.6                                      | 4.6                                     | 0.4                                                                          | 4.2                                                        | By end of 2021                                             |
| Expanding the Group's ELA<br>business by engaging in:   |                                          |                                         |                                                                              |                                                            |                                                            |
| — Research and development<br>staff expenses            | 2.5                                      | 2.5                                     | 2.5                                                                          | —                                                          | N/A                                                        |
| — Equipment purchases                                   | 8.7                                      | 8.7                                     | 0.6                                                                          | 8.1                                                        | By end of 2021                                             |
|                                                         | 11.2                                     | 11.2                                    | 3.1                                                                          | 8.1                                                        |                                                            |
| Expanding the Group's product<br>change 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<br>Internet-of-Things     | —                                        | 5.6                                     | 0.7                                                                          | 4.9                                                        | By end of 2021                                             |
| — Others                                                | 5.6                                      | —                                       | —                                                                            | —                                                          | N/A                                                        |
|                                                         | 11.2                                     | 11.2                                    | 6.3                                                                          | 4.9                                                        |                                                            |
| General working capital                                 | 3.0                                      | 3.0                                     | 3.0                                                                          | —                                                          | N/A                                                        |
| Total                                                   | <u>30.0</u>                              | <u>30.0</u>                             | <u>12.8</u>                                                                  | <u>17.2</u>                                                |                                                            |

## **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 2019, except for the following deviation:

Under the code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is very low. The Company will consider to make such an arrangement as and when it thinks necessary.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the unaudited consolidated financial statements for the nine months ended 30 September 2019.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the nine months ended 30 September 2019.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication.

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

Hong Kong, 7 November 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at **www.hkgem.com** for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at **www.hi-levelhk.com**.*