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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

	For the six months ended		Change
	2022	2021	
	(Unaudited)	(Unaudited)	
Revenue (<i>HK\$'000</i>)	1,017,045	1,551,575	-34%
Profit attributable to owners of the Company (<i>HK\$'000</i>)	13,090	30,146	-57%
Basic earnings per share (<i>HK cents</i>)	2.00	4.62	-57%
Interim dividend per share (<i>HK cent</i>)	–	1.00	N/A

The board of directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with comparative figures for the previous period, as follows:

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

For the six months ended 30 June 2022

	Notes	For the Three months ended 30 June		For the Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	544,207	833,538	1,017,045	1,551,575
Cost of sales		<u>(523,375)</u>	<u>(802,621)</u>	<u>(980,672)</u>	<u>(1,495,368)</u>
Gross profit		20,832	30,917	36,373	56,207
Other income		551	200	796	539
Other loss		(1,633)	(224)	(1,688)	–
Impairment loss under expected credit loss model, net of reversal/(provision)		(511)	35	(855)	739
Distribution costs		(3,965)	(3,990)	(7,619)	(7,326)
Administrative expenses		(5,556)	(6,474)	(11,053)	(13,079)
Finance costs		<u>(1,552)</u>	<u>(580)</u>	<u>(2,750)</u>	<u>(883)</u>
Profit before taxation		8,166	19,884	13,204	36,197
Income tax expense	4	<u>(114)</u>	<u>(3,241)</u>	<u>(114)</u>	<u>(6,051)</u>
Profit for the period	6	<u>8,052</u>	<u>16,643</u>	<u>13,090</u>	<u>30,146</u>
Total comprehensive income for the period		<u>8,052</u>	<u>16,643</u>	<u>13,090</u>	<u>30,146</u>
Earnings per share (HK cents) – Basic & diluted	7	<u>1.23</u>	<u>2.55</u>	<u>2.00</u>	<u>4.62</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		1,457	1,826
Right-of-use assets		14,232	6,249
Club membership		266	266
Rental deposits	8	790	790
		16,745	9,131
Current Assets			
Inventories		420,702	477,692
Trade and other receivables	8	147,523	143,925
Debt instruments at fair value through other comprehensive income	9	7,840	6,342
Amount due from a related party	13	548	–
Taxation recoverable		4,309	3,227
Bank balances and cash		115,602	113,864
		696,524	745,050
Current Liabilities			
Trade and other payables	10	331,138	327,175
Contract liabilities	11	15,968	14,519
Lease liabilities		14,382	3,471
Amount due to a related party	13	–	132
Taxation payable		128	155
Bank borrowings		235,078	302,343
		596,694	647,795
Net Current Assets		99,830	97,255
Total assets less current liabilities		116,575	106,386
Non-current Liability			
Lease liabilities		–	2,901
		116,575	103,485
Capital and Reserves			
Share capital	12	6,528	6,528
Reserves		110,047	96,957
Total Equity		116,575	103,485

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital	Share premium	Special reserve	Translation reserve	Dividend reserve	Shareholder's contribution reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2022	6,528	54,329	25,000	6,275	-	448	10,905	103,485
Profit for the period	-	-	-	-	-	-	13,090	13,090
Total comprehensive income for the period	-	-	-	-	-	-	13,090	13,090
At 30 June 2022	<u>6,528</u>	<u>54,329</u>	<u>25,000</u>	<u>6,275</u>	<u>-</u>	<u>448</u>	<u>23,995</u>	<u>116,575</u>
At 1 January 2021	6,528	54,329	25,000	1,708	-	448	80,706	168,719
Profit for the period	-	-	-	-	-	-	30,146	30,146
Total comprehensive income for the period	-	-	-	-	-	-	30,146	30,146
Dividend declared	-	-	-	-	16,319	-	(16,319)	-
At 30 June 2021	<u>6,528</u>	<u>54,329</u>	<u>25,000</u>	<u>1,708</u>	<u>16,319</u>	<u>448</u>	<u>94,533</u>	<u>198,865</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	51,391	(134,516)
Net cash from (used in) investing activities	353	(59)
Net cash (used in) from financing activities	(50,006)	106,139
Net increase (decrease) in cash and cash equivalents	1,738	(28,436)
Cash and cash equivalents at beginning of the period	113,864	140,961
Cash and cash equivalents at end of the period, represented by bank balances and cash	115,602	112,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing on 7 January 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2022, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the six months ended 30 June 2022 are consistent with those of the annual financial statements for the year ended 31 December 2021, 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 2021.

Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued an amended HKFRSs that is first effective for the current accounting period of the Group:

Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRS 3, Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018-2020

The amended HKFRSs has no material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

3. REVENUE

Revenue represents the sales of electronic components with/without the provision of independent design house service to external parties. The following is an analysis of the Group's revenue by the geographical locations of customers.

	Revenue by geographical market			
	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
The PRC	395,893	518,738	746,326	960,832
Hong Kong	125,268	277,843	231,461	541,226
Taiwan	18,022	31,169	33,507	39,351
Others	5,024	5,788	5,751	10,166
	<u>544,207</u>	<u>833,538</u>	<u>1,017,045</u>	<u>1,551,575</u>

No customer individually contributed over 10% of the Group's revenue for the six months ended 30 June 2022.

4. INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	69	3,235	69	6,045
PRC Enterprise Income Tax ("EIT")	45	6	45	6
	<u>114</u>	<u>3,241</u>	<u>114</u>	<u>6,051</u>

Hong Kong Profit Tax

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

PRC Enterprise Income Tax

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

5. DIVIDEND PAID

No dividend was paid or declared for the financial year ended 31 December 2021.

6. PROFIT FOR THE PERIOD

	For the three months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):				
Director's remuneration	–	–	300	300
Staff costs:				
Salaries and other allowances	1,462	3,199	3,032	5,728
Retirement benefit scheme contributions	732	734	1,498	1,311
Total staff costs	<u>2,194</u>	<u>3,933</u>	<u>4,530</u>	<u>7,039</u>
Auditor's remuneration	230	230	442	442
Bank interest income	(151)	(200)	(396)	(471)
Net exchange loss	1,633	224	1,688	–
Cost of inventories recognized as an expense	510,137	785,697	962,122	1,466,636
Reversal of allowance for inventories	(17,816)	(1,529)	(44,178)	(1,529)
Impairment loss under expected credit loss model, net of (reversal)/provision				
– trade receivables	511	(35)	855	(739)
Depreciation of property, plant and equipment	207	182	412	370
Depreciation of right-of-use assets	2,169	1,532	2,865	2,794
Government grants	240	–	240	–
Operating lease rental in respect of office and warehouses paid/payable to				
– third parties	790	835	1,579	1,554
– substantial shareholder and its subsidiaries	746	662	1,493	1,439

7. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company, for the purpose of basic earnings per share	<u>8,052</u>	<u>16,643</u>	<u>13,090</u>	<u>30,146</u>
	For the three months ended 30 June		For the six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of basic earnings per share	<u>652,770</u>	<u>652,770</u>	<u>652,770</u>	<u>652,770</u>

8. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	107,985	132,197
Other receivable, deposits and prepayments	43,162	14,497
	<hr/>	<hr/>
Total trade and other receivables	151,147	146,694
Less: allowance for expected credit losses	(2,834)	(1,979)
	<hr/>	<hr/>
Net trade and other receivables	148,313	144,715
Less: receivables within twelve months shown under current assets	(147,523)	(143,925)
	<hr/>	<hr/>
Rental deposits shown under non-current assets	790	790
	<hr/> <hr/>	<hr/> <hr/>

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 presented based on the invoice date at the end of each reporting period:

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
1–30 days	73,304	108,348
31–60 days	22,784	22,010
61–90 days	7,665	1,608
91–120 days	4,232	131
121–365 days	–	100
	<hr/>	<hr/>
	107,985	132,197
	<hr/> <hr/>	<hr/> <hr/>

9. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables held for collecting contractual cash flows or factoring to bank	<u>7,840</u>	<u>6,342</u>

10. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	322,430	308,790
Other payables and accruals	<u>8,708</u>	<u>18,385</u>
Total trade and other payables	<u>331,138</u>	<u>327,175</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 invoice date at the end of each reporting period:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
1–30 days	139,125	141,805
31–60 days	108,723	154,955
61–90 days	31,370	11,688
91–120 days	42,870	–
Over 1 year	<u>342</u>	<u>342</u>
	<u>322,430</u>	<u>308,790</u>

11. CONTRACT LIABILITIES

The contract liabilities mainly related to the advance considerations received from customers. As at 30 June 2022, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK\$15,968,000(2021: HK\$14,519,000).

12. SHARE CAPITAL

	30 June 2022	
	Number of ordinary shares '000	Amount HK\$'000 (Unaudited)
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At beginning of the period	<u>652,770</u>	<u>6,528</u>
At 30 June 2022 (unaudited)	<u>652,770</u>	<u>6,528</u>

13. AMOUNTS DUE FROM/TO A RELATED PARTY

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Amount due from a related party (<i>note a</i>)	<u>548</u>	<u>–</u>
Amount due to a related party (<i>note b</i>)	<u>–</u>	<u>132</u>

notes:

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

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Not past due	<u>548</u>	<u>–</u>

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

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Not past due	<u>–</u>	<u>132</u>

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: HK1 cent per share).

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.

In the first half of 2022, the Group’s shipment level was not satisfactory due to slow business momentum. The customer demand of consumer electronic products was weak due to the resurgence of COVID-19 pandemic in China. Also central bank of various countries raised interest rates to curb inflation, which was detrimental to global economic growth. As a result, our overall revenue for the six months ended 30 June 2022 decreased by 34% when compared with corresponding period of 2021.

In the second quarter of 2022, we successfully promoted our Sunplus multimedia IC solutions to those car infotainment system manufacturers. The sales of multimedia IC solutions increased as compared with corresponding period of 2021.

The main market of video image device products such as aerial, hunting and sports cameras are mainly Europe and US. We benefited from receiving sizeable orders from our video image device customers in using our I-Catch IC solutions on their products.

However, the Group faced excess supply in panel market in the second quarter of 2022. The market situation put downward pressure on panel prices and most manufactures kept inventory at high level. For the six months ended 30 June 2022, our sales of panels decreased compared with same period last year.

OUTLOOK

Looking ahead, under the uncertain global business environment, the Group is implementing a balance strategy of business development. Prices of panels will also continue their downwards trends in the third quarter due to oversupply and fierce price competition. The Group will strengthen inventory control and strictly manage cash flow to tackle the uncertainties.

Moreover, the Group will allocate more resources to develop new IC solutions to our target customers by working with new and existing suppliers. The Group will provide our target customers with competitive IC solutions for various Metaverse hardware applications as well as automotive microcontroller, medical sensors and electronic paper in education and commercial products.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group achieved sales revenue of HK\$1,017,045,000, decreased by 34% from HK\$1,551,575,000 recorded in the corresponding period of 2021.

Gross Profit

For the six months ended 30 June 2022, the Group's gross profit was HK\$36,373,000, decreased by 35% from HK\$56,207,000 recorded in the corresponding period of 2021. Gross profit margin was 3.58%, decreased from 3.62% recorded in the corresponding period of 2021.

Distribution Costs and Administrative Expenses

For the six months ended 30 June 2022, the Group's operating costs (distribution cost and administrative expenses) was HK\$18,672,000, decreased by 9% from HK\$20,405,000 recorded in the corresponding period in 2021. The decrease in operating costs was primarily attributable to stringent cost control measures being implemented.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2022, the profit attributable to owners of the Company was HK\$13,090,000, decreased by 57% as compared with HK\$30,146,000 recorded in the corresponding period of 2021.

Liquidity and Financial Resources

As at 30 June 2022, the Group's current ratio was 117% (31 December 2021: 115%). The Group's principal sources of funds are used to finance working capital and the growth and expansion of the Group's operations. The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 30 June 2022, the Group had bank balances and cash of HK\$115,602,000 (31 December 2021: HK\$113,864,000) and bank borrowings of HK\$235,078,000 (31 December 2021: HK\$302,343,000).

The Group recorded debtors turnover of 21 days for the period under review (2021: 18 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective period, multiplied by 181 days (2021: 181 days).

The Group recorded inventory turnover and average payable period of 83 days and 58 days respectively for the period under review (2021: 46 days and 39 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 30 June 2022, divided by cost of sales for the respective period and multiplied by 181 days (2021: 181 days).

GEARING RATIO

As at 30 June 2022, the Group's net gearing ratio was 102% (31 December 2021: 182%), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$119,476,000 (31 December 2021: HK\$188,479,000) and Group's total equity of approximately HK\$116,575,000 (31 December 2021: HK\$103,485,000).

CAPITAL STRUCTURE

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

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

CHARGE ON ASSETS

As at 30 June 2022, the Group's factored trade receivables with the carrying value of approximately HK\$8.6 million (2021: HK\$39 million) were pledged to a bank to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENTS

As at 30 June 2022, the Group did not have any significant capital commitments (31 December 2021: Nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2022, the Group did not hold any significant investment in equity interest in any other company and there were no material acquisitions and disposals of subsidiaries by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 June 2022.

INFORMATION ON EMPLOYEES

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. As at 30 June 2022, the employee headcount of the Group was approximately 100 (31 December 2021: 100).

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 and further change in use of proceeds was approved by the Board of Directors of the Company on 28 December 2021.

Set out below are the revised use of proceeds.

Uses	Original allocation as stated in the Prospectus (HK\$ million)	Revised allocation as disclosed in 2017 Annual Report (HK\$ million)	Actual use of proceeds as at 31 December 2021 (HK\$ million)	Further revised allocation of unutilized net proceeds as at 31 December 2021 (HK\$ million)	Balance as at 30 June 2022 (HK\$ million)	Expected timeline of full utilization of the balance
Upgrading the Group's ERP system	4.6	4.6	0.6	-	4.0	By end of 2024
Expanding the Group's ELA business by engaging in:						
- Research and development staff expenses	2.5	2.5	2.5	-	-	N/A
- Equipment purchases	8.7	8.7	1.2	(7.5)	-	N/A
	11.2	11.2	3.7	(7.5)	-	
Expanding the Group's product 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 Internet-of-Things	-	5.6	5.6	-	-	N/A
- Development of Metaverse hardware	-	-	-	7.5	7.5	By end of 2024
- Others	5.6	-	-	-	-	N/A
	11.2	11.2	11.2	-	7.5	
General working capital	3.0	3.0	3.0	-	-	N/A
Total	<u>30.0</u>	<u>30.0</u>	<u>18.5</u>	<u>-</u>	<u>11.5</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**”) through the six months ended 30 June 2022, except for the following deviation:

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

RELATIONSHIP BETWEEN BOARD MEMBERS

Both Mr. Shea Chun Lok, Quadrant (“**Mr. Shea**”) and Dr. Yim Yuk Lun, Stanley *BBS JP* (“**Dr. Yim**”) serve on the boards of the Company and Asia Allied Infrastructure Holdings Limited (“**Asia Allied**”). Mr. Shea is the executive director, chief financial officer and company secretary of Asia Allied and is an independent non-executive Director of the Company (the “**INED**”). Dr. Yim is the chairman and executive Director of the Company and is a non-executive director of Asia Allied. Taking into consideration their roles in the business activities of, and the relationship between the two companies, the Company considers that such cross-directorship relationship would not affect Mr. Shea in performing his duties as the INED.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the unaudited consolidated financial statements for the six months ended 30 June 2022.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the six months ended 30 June 2022.

APPRECIATION

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

Finally, I wish you all stay healthy.

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

Hong Kong, 5 August 2022

As at the date of this announcement, the Board comprises four executive directors, namely Dr. Yim Yuk Lun, Stanley BBS JP, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung; one non-executive director, Mr. Wong Wai Tai and three independent non-executive directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk 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.