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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 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 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

	2022	2021	Change
Revenue (HK\$ thousand)	1,732,213	2,847,359	-39.2%
Loss attributable to owners of the Company (HK\$ thousand)	(68,545)	(46,954)	46.0%
Basic loss per share (HK cents)	(10.50)	(7.19)	46.0%
Dividend per share (HK cent)			
– Final proposed	–	–	
– Interim paid	–	1.0	
– Total	–	1.0	N/A

The board of Directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 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 2022

	<i>Notes</i>	2022 HK\$’000	2021 HK\$’000
Revenue	3	1,732,213	2,847,359
Cost of sales		<u>(1,755,766)</u>	<u>(2,853,299)</u>
Gross loss		(23,553)	(5,940)
Other income		2,145	1,004
Other loss		(1,378)	(737)
Impairment losses under expected credit loss model, net of (provision)/reversal		(387)	1,743
Distribution costs		(14,583)	(15,679)
Administrative expenses		(22,916)	(24,200)
Finance costs		<u>(7,730)</u>	<u>(2,841)</u>
Loss before taxation	5	(68,402)	(46,650)
Income tax expense	4	<u>(143)</u>	<u>(304)</u>
Loss for the year		<u>(68,545)</u>	<u>(46,954)</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
– subsidiaries		<u>(7,737)</u>	<u>4,567</u>
Other comprehensive income for the year		<u>(7,737)</u>	<u>4,567</u>
Total comprehensive income for the year		<u>(76,282)</u>	<u>(42,387)</u>
Loss per share (HK cents)	7		
– basic		<u>(10.50)</u>	<u>(7.19)</u>
– diluted		<u>(10.50)</u>	<u>(7.19)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current Assets			
Property, plant and equipment		1,133	1,826
Right-of-use assets		2,587	6,249
Club membership		266	266
Rental deposit	8	–	790
		3,986	9,131
Current Assets			
Inventories		140,771	477,692
Trade and other receivables	8	131,884	143,925
Debt instruments at fair value through other comprehensive income		25,283	6,342
Taxation recoverable		4,309	3,227
Fixed bank deposit		15,000	15,000
Bank balances and cash		91,896	98,864
		409,143	745,050
Current Liabilities			
Trade and other payables	9	148,770	327,175
Contract liabilities		13,608	14,519
Lease liabilities		2,640	3,471
Amount due to a related party		333	132
Taxation payable		91	155
Bank borrowings		220,428	302,343
		385,870	647,795
Net Current Assets		23,273	97,255
Total Assets less Current Liabilities		27,259	106,386
Non-current Liability			
Lease liabilities		56	2,901
Net Assets		27,203	103,485
Capital and Reserves			
Share capital	10	6,528	6,528
Reserves		20,675	96,957
Total equity		27,203	103,485

NOTES

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on 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 with the provision of independent design house services.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of amended HKFRSs

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

None of these amended HKFRSs has a 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.

(b) New and amended HKFRSs that have been issued but not yet effective

The Group does not expect any other standards issued, but not yet effective, to have a material impact on the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2022 HK\$'000	2021 HK\$'000
Type of goods or services		
Sales of electronic products with the provision of independent design house services	1,732,213	2,847,359
Geographical markets		
The PRC	1,194,530	1,895,346
Hong Kong	439,006	833,312
Taiwan	91,957	101,432
Korea	3,961	8,844
Others	2,759	8,425
Total	1,732,213	2,847,359
Timing of revenue recognition		
A point in time	1,732,213	2,847,359

(ii) *Performance obligations for contracts with customers*

Sales of electronic products with the provision of independent design house services

The Group sells electronic products with the provision of design house services directly to customers. Revenue is recognised when independent 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 one month. 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 to be 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.

Contracts for sales of electronic products with the provision of independent design house services typically have a non-cancellable term in which the Group bills a portion of the contract sum in advance and the remaining when the good is delivered. All sales of electronic products with the provision of independent design house services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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.

(i) *Geographical information*

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

	2022	2021
	HK\$'000	HK\$'000
The PRC	3,004	6,769
Hong Kong	982	1,572
	<u>3,986</u>	<u>8,341</u>

(ii) *Information about major customers*

No customer individually contributed over 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

4. INCOME TAX EXPENSE

	2022	2021
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	140	217
PRC Enterprise Income Tax ("EIT")	44	31
	<u>184</u>	<u>248</u>
Under/(over) provision in prior years:		
Hong Kong Profits Tax	(66)	54
PRC EIT	25	2
	<u>(41)</u>	<u>56</u>
Income tax expense	<u>143</u>	<u>304</u>

5. LOSS BEFORE TAXATION

	2022 HK\$'000	2021 HK\$'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' remuneration	<u>2,112</u>	<u>4,711</u>
Staff costs:		
Salaries and other allowances	15,405	18,119
Retirement benefit scheme contributions	<u>2,658</u>	<u>2,724</u>
	<u>18,063</u>	<u>20,843</u>
Total staff costs	<u><u>20,175</u></u>	<u><u>25,554</u></u>
Auditor's remuneration	867	867
Bank interest income	(948)	(766)
Net exchange loss	1,378	594
Short-term leases expenses	209	501
Cost of inventories recognised as an expense	1,896,256	2,548,783
Provision for allowance for inventories	40,954	64,567
– General provision	21,184	3,189
– Specific provision	19,770	61,378
Impairment loss under expected credit loss model, net of provision/(reversal) – Trade receivables	387	(1,743)
Depreciation of property, plant and equipment	815	745
Depreciation of right-of-use assets	5,640	5,365
Government grants	<u>360</u>	<u>–</u>

6. DIVIDENDS

	2022	2021
	HK\$'000	HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim of HK\$ nil (2021: HK0.01) per share was declared and paid	–	6,528
2021 Final of HK\$ nil (2021: 2020 Final of HK\$0.025) per share was declared and paid	–	16,319
	<u>–</u>	<u>16,319</u>
	<u>–</u>	<u>22,847</u>

Note: Subsequent to the end of the reporting period and on the date of this announcement, no final dividend in respect of the year ended 31 December 2022 has been proposed by the directors of the Company.

7. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year as follows:

	2022	2021
	HK\$'000	HK\$'000
Loss for the year for the purpose of basic loss per share	<u>(68,545)</u>	<u>(46,954)</u>
	2022	2021
	No. of	No. of
	shares	shares
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>652,770</u>	<u>652,770</u>

There were no potential ordinary shares in issue for the years ended 31 December 2022 and 2021. Accordingly, the diluted loss per share presented is the same as the basic loss per share.

8. TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables (<i>Note a</i>)	117,006	132,197
Other receivables, deposits and prepayments (<i>Note b</i>)	17,224	14,497
	<hr/>	<hr/>
Total trade and other receivables	134,230	146,694
Less: allowance for expected credit losses	(2,346)	(1,979)
	<hr/>	<hr/>
Net trade and other receivables	131,884	144,715
Less: receivables within twelve months shown under current assets	(131,884)	(143,925)
	<hr/>	<hr/>
Rental deposit shown under non-current assets	–	790
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) Trade receivables

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:

	2022 HK\$'000	2021 HK\$'000
1 - 30 days	81,721	108,348
31 - 60 days	21,181	22,010
61 - 90 days	10,152	1,608
91 - 180 days	1,716	131
181 - 365 days	2,236	100
	<hr/>	<hr/>
	117,006	132,197
	<hr/> <hr/>	<hr/> <hr/>

(b) **Other receivables, deposits and prepayments**

	2022 HK\$'000	2021 HK\$'000
Prepayments	332	455
Deposit	1,273	1,735
Other receivables	<u>15,619</u>	<u>12,307</u>
	<u><u>17,224</u></u>	<u><u>14,497</u></u>

9. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	131,614	308,790
Other payables and accruals	<u>17,156</u>	<u>18,385</u>
Total trade and other payables	<u><u>148,770</u></u>	<u><u>327,175</u></u>

Notes:

(a) **Trade payables**

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:

	2022 HK\$'000	2021 HK\$'000
1 – 30 days	88,473	141,805
31 – 60 days	32,027	154,955
61 – 90 days	6,149	11,688
91 – 120 days	220	–
121 – 365 days	235	–
Over 1 year	<u>4,510</u>	<u>342</u>
	<u><u>131,614</u></u>	<u><u>308,790</u></u>

(b) **Other payables and accruals**

	2022 HK\$'000	2021 HK\$'000
Accrued expenses	4,901	5,587
Other payables	9,720	11,072
Temporary receipt	411	329
PRC tax payables	2,124	1,397
	<u>17,156</u>	<u>18,385</u>

10. SHARE CAPITAL

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

	No. of ordinary shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>652,770</u>	<u>6,528</u>

DIVIDEND

The Board does not recommend the payment of final dividend (2021: Nil) for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 May 2023 to 22 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 15 May 2023. The record date for the attending and voting at the AGM is 22 May 2023.

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 2022, the Group recorded losses of HK\$68,545,000, such loss was mainly attributable to the following reasons: 1) the decline in the Group's revenue due to weak demand in the consumer electronic market caused by unfavorable global business environment such as rising inflation worldwide and interest rate hikes in the US; 2) the Group also recorded certain loss making shipments in second half year of 2022 related to downwards trends of prices of panels and panel modules due to oversupply and fierce price competition; and 3) also, the Group made impairment loss of its closing inventory as of 31 December 2022. Following the Group implemented strict inventory control measures to reduce its closing inventory level as at 31 December 2022 to normal level, the Board believes that further material negative impacts on financial position and cash flow of the Group are limited.

MID

MID segment comprises of tablet and smart home speaker products delivered the largest revenue of the Group. Due to the lockdown during the COVID-19 pandemic in China, companies postponed the development of new products and consumer sentiment was depressed, which resulted in a sharp decline in sales of panels and chip products for tablets.

Car Infotainment System

The Company captured the wave of market demand of car infotainment systems solutions for export car manufacturers after the ease of lockdown in European and American countries. We promoted our Sunplus multimedia IC solutions to those car infotainment system manufacturers and the business was able to achieve steady growth against the backdrop of setbacks. Our sales of car infotainment system solutions increased as compared to 2021.

Video Image Device

The main market of video image device products such as aerial, hunting and sports cameras are mainly Europe and US. In light of earlier lifting of pandemic restrictions in the European and US markets, we received an increasing number of order placements for, in particular, mid- to high-end products. Our customers also made special requests on our services to use our iCatch IC solutions. Benefited from the above, our sales of video image device solutions increased as compared to 2021.

Smartphone Panel Module

Demand for smartphone in both China and emerging markets significantly decreased in 2022, our sales of smartphone panel modules decreased as compared to 2021.

STB

The Company's main sales market of STB solutions is in Middle East, South America and North Africa. As the pandemic situation eased in the above three markets during the year, coupled with the favourable impact of the FIFA World Cup, there was an increase in the demand for STB. Accordingly, our sales of STB solutions increased as compared to 2021.

ELA

Due to decreased demand of educational products in China, the sales of our ELA panel solutions declined as compared with 2021.

OUTLOOK

Looking ahead, under the uncertain global business environment, the Company understands the tremendous challenges in 2023. To overcome these challenges and difficulties, the Group will endeavor to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different areas. The Group will also maintain a flexible business strategy to explore new business opportunities for its developments.

We are currently in the process of developing products including:

1. **Electronic paper application:** Electronic paper is now mostly used in electronic books, electronic notebooks and electronic labels. In view of the accumulated customer base in consumer electronics market over the years, the Company is introducing electronic paper application into gift and small household electrical appliances market. With the cooperation of our customers on our proactive product development, we plan to participate in the Hong Kong Electronics Fair 2023 and the Canton Fair 2023 as an exhibitor.
2. **MCU for new energy vehicles:** There are numerous brands and increasing sales volume in China's new energy vehicle market. Traditionally, MCU chips for electric vehicles were sourced from European and US countries. Since China's implementation of policy on autonomy in semiconductor production which has been positively responded by automakers, the Company is taking active steps in securing distributorship for those domestic chips. However, as it will take a relatively long time for the launch of automobile chips, we anticipate that this product line will serve as a long-term and stable business for the Company.
3. **Metaverse hardware solution:** The Group will continue to invest resources in the development of the Metaverse and will provide our target customers with competitive IC solutions for various Metaverse hardware applications.

In the first quarter of 2023, after the Group managed to record satisfactory shipment and keep inventory at normal level, the Group expects to record consolidated profit attributable to owners of the Company for the three months ending 31 March 2023. The Group will continue to explore and seize business opportunities based on existing and above mentioned new product development so as to achieve the sustainable business development.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group achieved sales revenue of HK\$1,732,213,000, decreased by 39.2% from HK\$2,847,359,000 as recorded in 2021.

Gross Loss

For the year ended 31 December 2022, gross loss was HK\$23,553,000, increased by 296.5% from HK\$5,940,000 as recorded last year. Gross loss margin was 1.4%.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2022, the Group's operating costs were HK\$37,499,000 (2021: HK\$39,879,000), representing a decrease by 6.0%, compared to the corresponding period in 2021.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the year ended 31 December 2022 was HK\$68,545,000, increased by 46.0%, compared to the loss attributable to owners of the Company of HK\$46,954,000 as recorded in 2021.

Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 31 December 2022, the Group's current ratio was 106.0% (31 December 2021: 115.0%). As of 31 December 2022, the Group had bank balances and cash of HK\$106,896,000 (31 December 2021: HK\$113,864,000) and bank borrowings of HK\$220,428,000 (31 December 2021: HK\$302,343,000). As of 31 December 2022, the Group's net gearing ratio was 417.4% (31 December 2021: 182.1%), which is calculated based on the Group's net debt (calculated as total bank borrowing minus bank balances and cash) of approximately HK\$113,532,000 (31 December 2021: HK\$188,479,000) and Group's total equity of approximately HK\$27,203,000 (31 December 2021: HK\$103,485,000).

The Group recorded debtors turnover of approximately 26 days for the year under review (2021: 18 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 65 days and 46 days respectively for the year under review (2021: approximately 46 days and 39 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2022, 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 at 31 December 2022, the Group employed approximately 80 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 as well as medical insurance.

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

The revised use of net proceeds from the Placing is set out as follows:

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 31 December 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 range by engaging in:						
- Car infotainment	2.8	2.8	2.8	-	-	N/A
- Drones Wi-Fi Transmission	2.8	2.8	2.8	-	-	N/A
- Artificial Intelligence and Internet-of-Things	-	5.6	5.6	-	-	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	7.5	
General working capital	3.0	3.0	3.0	-	-	N/A
Total	30.0	30.0	18.5	-	11.5	

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

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2022.

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 2022, 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.

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.

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 year under review.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hi-levelhk.com) and the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The 2022 annual report will be dispatched to the shareholders of the Company and published on the above websites in due course.

SCOPE OF WORK OF BDO LIMITED

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 2022 as set out in this preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited 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
Dr. Yim Yuk Lun, Stanley BBS JP
Chairman

Hong Kong, 21 March 2023

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.