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Private and Confidential

The Board of Directors
Hi-Level Technology Holdings Limited
Room 614, 6/F
Tower B, Hunghom Commercial Centre
37 Ma Tau Wai Road, Hunghom
Kowloon, Hong Kong

7 August 2023

Our ref: 081327/RI0423/0708

Dear Sirs


**Hi-Level Technology Holdings Limited (the “Company”) and its subsidiaries
(hereinafter collectively referred to as the “Group”)
Consent letter**

We refer to the prospectus of the Company dated 7 August 2023 (the “Prospectus”) in connection with the proposed Rights Issue on the basis of one Rights Share for every one Share held on the Record Date on a non-underwritten basis issued by the Company, a final proof of which is attached and initialled by us on its front cover for the purpose of identification. Capitalised terms used in this letter shall have the same meaning as those defined in the Prospectus, unless the context requires otherwise.

We hereby consent to the inclusion of our accountants’ report dated 7 August 2023 on the compilation of the unaudited pro forma financial information of the Group as at 31 December 2022 as set out in Appendix II to the Prospectus, and the references to our name in the form and context in which they are included.

We also hereby consent to a copy of this letter and the accountants’ report being published on the Stock Exchange’s website and the Company’s own website as described in the section headed “16. Documents on display” in Appendix III to the Prospectus.

Yours faithfully
BDO Limited



ATL/ANN/rl (HiLevel - consent letter)

Encl

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hi-Level Technology Holdings Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed "15. Documents Delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Subject to the grant of the listing of, and permission to deal in the Rights Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

This Prospectus appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

Distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this Prospectus should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States of America. This Prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The securities referred to herein have not been and will not be registered under the US Securities Act or the laws of any state or jurisdiction of the United States of America, and may not be offered or sold within the United States of America, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States of America or to conduct a public offering of securities in the United States of America.



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)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

Financial adviser to the Rights Issue only and
Placing Agent to the Rights Issue



Capitalised terms used in this cover page have the same meanings as defined in this Prospectus.

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the section headed "Letter from the Board – Conditions of the Rights Issue" in this Prospectus. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. There is no minimum amount which must be raised in order for the Rights Issue to proceed. Pursuant to the Company's constitutional document, the Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the GEM Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Thursday, 27 July 2023. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 9 August 2023 to Wednesday, 16 August 2023 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers. The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 21 August 2023. The procedures for application and payment for the Rights Shares are set out on pages 16 to 17 of this Prospectus.

7 August 2023

CHARACTERISTICS OF GEM

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.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 8 June 2023 in relation to, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver
“Articles of Association”	the existing articles of association of the Company, as amended from time to time
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 3 July 2023 in relation to, among other matters, the Rights Issue, the Placing Agreement and the Whitewash Waiver
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented and otherwise modified from time to time
“Company”	Hi-Level Technology Holdings Limited 揚宇科技控股有限公司, an exempted company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8113)
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules

DEFINITIONS

“Concert Group”	SAS Investment, Dr. Yim and parties acting in concert with any of them (including SAS Dragon, Unimicro, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung)
“controlling shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Yim”	Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> (嚴玉麟), (i) an executive Director and the chairman of the Company and (ii) an executive director and chairman of SAS Dragon
“EGM”	the extraordinary general meeting of the Company held on Tuesday, 25 July 2023 relating to, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDH”	Independent design house. An IDH service provider offers design service and technical support to original brand manufacturers and original design manufacturers as well as turnkey solution to electronics manufacturer
“Independent Shareholder(s)”	Shareholder(s) other than (i) the Concert Group; and (ii) those Shareholders who are involved in, or interested in, the Rights Issue, the Placing Agreement and/or the Whitewash Waiver

DEFINITIONS

“Latest Practicable Date”	Monday, 31 July 2023, being the latest practicable date prior to the publication of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Last Trading Day”	Thursday, 8 June 2023, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Monday, 21 August 2023 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 29 August 2023, being the first business day after the latest time for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement
“MCU”	Microcontroller, a compact integrated circuit designed to perform or govern a specific tasks/operation of an embedded system
“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/ fees)
“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong

DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s) to the placees on the terms and subject to the conditions of the Placing Agreement
“Placing Agent”	Sunny Fortune Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 8 June 2023 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
“Posting Date”	Monday, 7 August 2023 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and the Prospectus for information only to the Non-Qualifying Shareholders (as the case may be)
“PRC”	the People’s Republic of China which for the purpose of this Prospectus shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus in connection with the Rights Issue
“Prospectus Documents”	this Prospectus and the PAL(s)
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the record date to determine the provisional entitlements to the Rights Issue
“Registrar”	Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong

DEFINITIONS

“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Share in issue held on the Record Date
“Rights Share(s)”	up to 652,770,000 new Shares proposed to be allotted and issued under the Rights Issue
“SAS Dragon”	S.A.S. Dragon Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1184)
“SAS Investment”	S.A.S. Investment Company Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of SAS Dragon
“SAS Undertakings”	the undertakings given by SAS Investment in favour of the Company in relation to the Rights Issue
“SFC”	the Securities and Futures Commission
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Sunny Fortune Capital”	Sunny Fortune Capital Limited, a corporation licensed under SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Rights Issue only
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Undertakings”	the SAS Undertakings and the YIM Undertakings
“Unimicro”	Unimicro Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Yim

DEFINITIONS

“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“Whitewash Waiver”	a waiver conditionally granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of SAS Investment and Dr. Yim to make a mandatory general offer to the Shareholders in respect of all Shares not already owned or agreed to be acquired by the Concert Group which may be triggered as a result of the acceptance by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings in the event that the Rights Shares are not issued in full
“YIM Undertakings”	the undertakings given by Dr. Yim in favour of the Company in relation to the Rights Issue
“%”	per cent

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue. All times and dates stated in this Prospectus refer to Hong Kong local times and dates. The expected timetable below is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	Date and time <i>(Hong Kong time)</i>
Despatch of the Prospectus Documents	Monday, 7 August 2023
First day of dealings in nil-paid Rights Shares	Wednesday, 9 August 2023
Latest time for splitting the PAL	4:30 p.m. on Friday, 11 August 2023
Last day of dealings in nil-paid Rights Shares	Wednesday, 16 August 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Monday, 21 August 2023
Latest time for acceptance of, and payment for, the Rights Shares	4:00 p.m. on Monday, 21 August 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares	Wednesday, 23 August 2023
Commencement of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Thursday, 24 August 2023
Latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 28 August 2023
Announcement of allotment results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares)	Wednesday, 30 August 2023
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if the Rights Issue is terminated)	Thursday, 31 August 2023
Commencement of dealings in fully-paid Rights Shares	Friday, 1 September 2023
Payment of Net Gain to relevant No Action Shareholders (if any)	Friday, 1 September 2023

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in paragraph headed “Expected Timetable” above may be affected. Announcement will be made by the Company in such event.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Yim Yuk Lun, Stanley *BBS JP*

Mr. Chang Wei Hua

Mr. Wei Wei

Mr. Tong Sze Chung

Registered Office:

One Nexus Way

Camana Bay, Grand Cayman

KY1-9005, Cayman Islands

Non-executive Director:

Mr. Wong Wai Tai

Principal place of business in Hong Kong:

Room 614, 6/F, Tower B

Hunghom Commercial Centre

37 Ma Tau Wai Road, Hunghom

Kowloon, Hong Kong

Independent non-executive Directors:

Mr. Shea Chun Lok, Quadrant

Mr. Fung Cheuk Nang, Clement

Mr. Tsoi Chi Ho, Peter

7 August 2023

*To the Qualifying Shareholders and, for information only,
the Non-Qualifying Shareholders,*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) SHARE HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcement and the Circular in relation to, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver.

On 8 June 2023, the Board announced that, among other matters, the Board proposed to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise up to approximately HK\$78.3 million before expenses by way of issuing up to 652,770,000 Rights Shares.

LETTER FROM THE BOARD

The Rights Issue is conditional upon, among other things, the Executive having granted the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM.

On 14 July 2023, the Executive granted the Whitewash Waiver, which was subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively. At the EGM held on 25 July 2023, the relevant resolutions were duly passed by the Independent Shareholders by way of poll.

The purpose of this Prospectus is to provide you with further information regarding details of the Rights Issue and certain information in respect of the Group.

RIGHTS ISSUE

Issue statistics

Details of the Rights Issue are set out as follows:

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Number of Shares in issue as at the Record Date	:	652,770,000 Shares
Total number of Rights Shares	:	Up to 652,770,000 Rights Shares
Number of Rights Shares being undertaken by SAS Investment and Dr. Yim	:	267,545,861 Rights Shares, of which 224,423,000 Rights Shares are undertaken by SAS Investment and 43,122,861 Rights Shares are undertaken by Dr. Yim
Gross proceeds to be raised from the Rights Issue	:	From approximately HK\$27.4 million to approximately HK\$78.3 million

LETTER FROM THE BOARD

The maximum number of 652,770,000 Rights Shares to be issued represents:

- (a) 100% of the number of issued Shares (based on the Company's issued share capital as at the Record Date); and
- (b) 50% of the enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the Record Date and the Latest Practicable Date, the Company did not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Subscription Price

The Subscription Price is HK\$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 14.9% based on the closing price of HK\$0.141 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 35.5% to the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 32.5% to the average closing price of approximately HK\$0.178 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 32.8% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (vii) a discount of approximately 29.4% to the average closing price of approximately HK\$0.170 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 21.6% to the theoretical ex-rights price of approximately HK\$0.153 per Share based on the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ix) a premium of approximately 188.0% over the net asset value of approximately HK\$0.042 per Share based on the audited equity attributable to owners of the Company of approximately HK\$27.2 million as at 31 December 2022 and 652,770,000 Shares; and
- (x) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.7%, represented by a nominal discount of the theoretical diluted price of approximately HK\$0.153 per Share to the theoretical benchmarked price of HK\$0.186 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.186 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.186 per Share).

The Subscription Price was determined with reference to the recent closing price of the Share, the financial conditions of the Company, the current market conditions and the reasons and benefits of the Rights Issue as discussed in the paragraphs headed “Rights Issue – Reasons for the Rights Issue and use of proceeds” under the section headed “Letter from the Board” in this Prospectus.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Board considers that the terms of the Rights Issue and the Placing Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act (as revised) of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

In the event that the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders under PAL(s), or transferees of nil-paid Rights Shares together with the NQS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company, and hence, the size of the Rights Issue will be reduced accordingly.

LETTER FROM THE BOARD

In the event that the Rights Shares are not issued in full and assuming that (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstance, the obligations of SAS Investment and Dr. Yim to make a general offer under the Takeovers Code will be triggered as a result of the acceptance by them of the provisional allotment of Rights Shares to SAS Investment and Dr. Yim pursuant to the Undertakings. As disclosed in the paragraphs headed “Rights Issue – Conditions of the Rights Issue” under the section headed “Letter from the Board” in this Prospectus, it is a condition of the Rights Issue for the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date and the Rights Issue, the Placing Agreement and the Whitewash Waiver being approved by the Independent Shareholders at the EGM. On 14 July 2023, the Executive granted the Whitewash Waiver, which was subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively. At the EGM held on 25 July 2023, the relevant resolutions were duly passed by the Independent Shareholders by way of poll.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the passing of the necessary resolutions by the Independent Shareholders at the EGM approving, among other things, the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); the Placing Agreement; and the Whitewash Waiver;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Posting Date;

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- (c) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date;
- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the business day prior to the first day of their dealings;
- (e) the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules;
- (f) there being no material breach of the obligations of SAS Investment and Dr. Yim under the Undertakings; and
- (g) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date, and the satisfaction of all conditions (if any) attached thereto.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed. As at the Latest Practicable Date, conditions (a) and (g) have been fulfilled, conditions (b) and (c) above are expected to have been fulfilled on the Posting Date and all the other conditions remain unfulfilled.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue of the Rights Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (a) be registered as a member of the Company at the close of business on the Record Date; and
- (b) be a Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

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Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Registrar by 4:00 p.m. on Monday, 21 August 2023.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The register of members of the Company was closed from Monday, 31 July 2023 to Friday, 4 August 2023 (both days inclusive). Based on the register of members of the Company as at the Record Date, the Company did not have any Overseas Shareholders. As a result, there are no Non-Qualifying Shareholders in the Right Issue.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing together with the Unsubscribed Rights Shares. Any NQS Unsold Rights Shares and Unsubscribed Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the Rights Shares in nil-paid form that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

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Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. The Company reserves the right to treat as invalid any acceptance of Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Monday, 21 August 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**HI-LEVEL TECHNOLOGY HOLDINGS LIMITED – RIGHT ISSUE ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Monday, 21 August 2023, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete the incomplete PAL at a later stage.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 11 August 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong after 9:00 a.m. on the second Business Day following the surrender of the original PAL. This process is commonly

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referred to as “splitting” of nil-paid Rights Shares. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights. The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier’s orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier’s order will constitute a warranty by such person that the cheque or the cashier’s order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier’s order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No receipt will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue” above is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Share Registrar on or before Thursday, 31 August 2023.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 31 August 2023 by ordinary post to the allottees, at their own risk, to their registered addresses. If the Rights Issue does not become unconditional, refund cheques are expected to be sent on or about Thursday, 31 August 2023 by ordinary post to the applicants, at their own risk, to their registered addresses. One share certificate will be issued for all the Rights Shares allotted to an applicant.

Fractional entitlements to the Rights Shares

On the basis of one (1) Rights Share for every one (1) Share held on the Record Date, no fractional entitlement will arise under the Rights Issue.

Odd Lot Arrangement

No odd lot matching services will be provided by the Company in respect of the Rights Shares.

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Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing of the Rights Shares

The Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Nil-paid Rights Shares are expected to be traded in board lots of 10,000 as the Shares are currently traded on the Stock Exchange in board lots of 10,000.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, Accounting and Financial Reporting Council transaction levy or any other applicable fees and charges in Hong Kong.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

The Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent places for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

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The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent places on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to the No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 28 August 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong Dollars (but rounded down to the nearest cent) on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

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THE PLACING AGREEMENT

On 8 June 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing are as follows:

- Date : 8 June 2023 (after trading hours)
- Parties : The Company, as issuer; and
The Placing Agent, as placing agent
- Placing Agent : Sunny Fortune Capital Limited, appointed as the bookrunner and placing agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.
- The Placing Agent and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons within the meaning of the GEM Listing Rules.
- Placing fee and expenses : The commission payable to the Placing Agent shall be 1% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.
- The Company will pay all out-of-pocket expenses properly and reasonably incurred by the Placing Agent in connection with the Placing (excluding legal and other professional fees and expenses) which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.
- Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) : The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price but the final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.

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- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company (including SAS Investment and Dr. Yim) or its subsidiaries or any of their respective associates; and (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue, in order to ensure that the public float requirements under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company and none of the placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue.
- Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon among others, the following conditions being fulfilled:
- (i) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;
 - (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
 - (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

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- Termination : If at any time prior to the Latest Time for Termination:
- (i) the Company fails to comply with its obligations under the Placing Agreement; or
 - (ii) the occurrence of any force majeure events; or
 - (iii) any of the warranties of the Company under the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in material respect by reference to the facts subsisting at the time,

and such matter in the reasonable opinion of the Placing Agent to be material in the context of the Placing then the Placing Agent may by giving notice in writing to the Company terminate the Placing Agent's obligation under the Placing Agreement and the Placing Agreement shall be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach thereunder prior to such termination.

Further, if all the Rights Shares have been taken up by the Qualifying Shareholders and/or the holders of the nil-paid rights on or before the Latest Time for Acceptance, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach thereunder prior to such termination.

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company. The Directors consider the terms of the Placing for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms. The Directors believe that the expenses are typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interests of the Company's minority Shareholders. The Company will ensure that it will continue to comply with the public float requirement under Rule 11.23(7) of the GEM Listing Rules after the Placing and the Rights Issue.

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THE UNDERTAKINGS

As at the Latest Practicable Date, SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company. Pursuant to the Undertakings, SAS Investment and Dr. Yim have provided undertakings to the Company respectively that subject to SAS Investment and Dr. Yim having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue provided that the obligations of SAS Investment and Dr. Yim are, however, subject to the public float requirement under the GEM Listing Rules and the total number of the Rights Shares to be subscribed by SAS Investment and Dr. Yim will be scaled down to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

SAS Undertakings

Pursuant to the SAS Undertakings, SAS Investment had irrevocably undertaken to the Company:

- (a) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 224,423,000 Shares held by it as at the date of the SAS Undertakings or (ii) the nil-paid rights pertaining to 224,423,000 Rights Shares provisionally allotted to it;
- (b) the 224,423,000 Shares registered in its name and/or the name(s) of its nominee(s) as at the date of the SAS Undertakings shall remain registered in its name and/or under the name(s) of its nominee(s) on the Record Date and until the close of the Rights Issue;
- (c) to apply for the Whitewash Waiver;
- (d) subject to having obtained the Whitewash Waiver, to accept (i) in full the Rights Shares to be provisionally allotted to it pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares; or (ii) such maximum number of Rights Shares to be provisionally allotted to it pursuant to the Rights Issue to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (e) not to carry out any act (including any acquisition of voting rights by it or any parties acting in concert with it) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (f) prior to completion of the Rights Issue, if it is determined that completion of the Rights Issue based on the subscription of Rights Shares under PAL would result in the public float of the Company not being maintained, to scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

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YIM Undertakings

Pursuant to the YIM Undertakings, Dr. Yim had irrevocably undertaken to the Company:

- (a) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 43,122,861 Shares held by him as at the date of the YIM Undertakings or (ii) the nil-paid rights pertaining to 43,122,861 Rights Shares provisionally allotted to him;
- (b) the 43,122,861 Shares registered in his name and/or the name of his wholly-owned controlled corporation or nominee(s) as at the date of the YIM Undertakings shall remain registered in his name and/or the name of his wholly-owned controlled corporation or nominee(s) on the Record Date and until the close of the Rights Issue;
- (c) to apply for the Whitewash Waiver;
- (d) subject to having obtained the Whitewash Waiver, to accept (i) in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares; or (ii) such maximum number of Rights Shares to be provisionally allotted to it pursuant to the Rights Issue to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (e) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert with them) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (f) prior to completion of the Rights Issue, if it is determined that completion of the Rights Issue based on the subscription of Rights Shares under PAL would result in the public float of the Company not being maintained, to scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

Scale-down of subscriptions

To avoid the unwitting triggering of the Company's non-compliance with minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules, each of SAS Investment and Dr. Yim has respectively undertaken under the Undertakings that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue. The scaling-down mechanism will be determined by the Company and will be made on the basis that the applications are to be scaled-down by the Company (further details of which are set out below) to such extent which does not result in the Company's non-compliance with the minimum public float requirements under Rule 11.23(7) of the GEM Listing Rules at all times.

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It is expected that the scaling-down of applications of the Rights Shares by SAS Investment and Dr. Yim shall be made by the Company after the latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent (i.e. Monday, 28 August 2023) when the Company has the results of the Placing and the tentative number of Rights Shares that will be held by the public upon completion of the Rights Issue. The Company will determine the number of Rights Shares to be scaled down and waived by SAS Investment and Dr. Yim respectively based on the information available to the Company after the Placing and the need to maintain sufficient public float under the GEM Listing Rules on a fair and equitable basis. Any subscription monies for the scaled-down Rights Shares paid by SAS Investment and Dr. Yim will be refunded to them on the same date when the Company despatches the share certificates for fully-paid Rights Shares on Thursday, 31 August 2023.

PREVIOUS FUND RAISING EXERCISE INVOLVING ISSUE OF SECURITIES IN THE PRIOR 12-MONTH PERIOD

The Company has not completed any equity fund raising activities in the twelve (12) months immediately prior to the date of the Announcement and up to the Latest Practicable Date.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

- (i) the Group is principally engaged in the sale of electronic components for consumer electronic products. The consumer electronics market is characterised by its fast changing nature and the Group needs to be adaptive and quick to respond to such market changes. In the event the Group is unable to adapt to such changes and/or unable to respond to such changes by providing timely solutions to its customers, the business and financial results of the Group would be adversely affected;
- (ii) the Group also provides IDH services to original brand manufacturers and original design manufacturers. The Group's IDH Services are not separately charged but incorporated into the selling price of electronic components. However, the IDH value added services of the Group might not be needed once the size of some of its customers have grown to an extent that either they are in a position to establish their own in-house design and research team and/or that the Group's suppliers decide to work directly with its existing customers, which may have a material adverse impact on the Group's results of operations;
- (iii) as more IDHs are being established in the PRC and some of the Group's major customers may want to engage in IDH business, the Group may face increasing market competition, as a result of which its business and financial conditions may be adversely affected;

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- (iv) the Group's design house services are highly dependent on demands from its customers, who in turn are greatly dependent on consumers' preference and market demand. The electronics market changes and fluctuates, and the demands for the Group's current products and designs may drop vigorously when new products appear in the market and consumers' tastes and preferences change. Electronics products are volatile and often become obsolete whenever newer products push them out of the market. If the Group fails to keep up with the changes and transitions in technology, industry standards and customers' requirements and preference, its business, financial position and results of operation may be adversely affected;
- (v) the Group is dependent on the health of global economic conditions and the levels of global consumer consumption in general. A deterioration in global economic conditions could affect consumer confidence and spending. If the demand for the products provided by the Group declines as a result of changes in global economic conditions or does not grow at the pace it anticipates, its business, financial condition and results of operations could be adversely affected; and
- (vi) the Group's continued success, growth and ability to expand its operations depend significantly upon the continued efforts, contribution and expertise of its key management team and technical employees. As competition for these key personnel in the industry is intense, any failure to retain or attract such skilled personnel may affect the business operations, financial performance and future prospects of the Group.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Based on the number of issued Shares on the Record Date, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.2 million) will not be less than approximately HK\$26.2 million and not more than approximately HK\$77.1 million.

Assuming full subscription under the Rights Shares, the estimated net proceeds of the Rights Issue will be HK\$77.1 million. The Company intends to apply such net proceeds as to:-

- (a) approximately 70% of net proceeds (approximately HK\$54.0 million) for the repayment of outstanding bank borrowings;
- (b) approximately 20% of net proceeds (approximately HK\$15.4 million) for the development of new applications for MCU and electronic paper including sale team recruitment and initial buffer stock ordering; and
- (c) the remaining balance 10% of net proceeds (approximately HK\$7.7 million) as the general working capital of the Group.

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Repayment of outstanding bank borrowings

As at 30 April 2023, the Group has an outstanding amount of bank borrowing of approximately HK\$134.4 million. These liabilities represent short-term interest bearing borrowing from 6 licensed commercial banks in Hong Kong, carries interest rates ranged from 5.79% to 6.5% per annum and fall due between 2 May 2023 and 28 August 2023. The Company intends to apply the net proceeds of approximately HK\$54.0 million for the repayment of the short-term interest bearing borrowing from the above licensed commercial banks so as to enhance the financial position of the Group, reduce the interest burden and to provide flexibility to the Group to meet other financial obligations and/or business needs.

Development of new applications for electronic paper and MCU

Thanks to the lifting of the pandemic restrictions in China, favorable policy in the green energy and semiconductor industries and the digital transformation promoted the use of electronic paper applications, the Directors believe that there are lots of market potential in the sector of electronic paper and MCU application. In response to the changes in the consumer electronic market, the Directors consider that it is beneficial for the Group to actively adjusting its product portfolio and speed up its expansion in the abovementioned sector in order to cater to the market demand, and thus the Group have been devoting great efforts in the development of new applications for electronic paper and MCU.

Electronic paper applications

Electronic paper is a display panel component with extremely low energy consumption and wide viewing angle, and is widely known for its application in electronic tags and e-book. The Group has obtained dealership right from E-ink, one of the world's largest electronic paper suppliers, and was consented by E-ink to develop, market and promote its electronic paper products in the PRC. The Group is currently in discussion with a Germany based electronic products manufacturer in respect of the application of electronic paper technology into its electronic display products such as electronic clock and electronic calendar etc. in replace of the traditional LCD display panel. The Directors anticipate that the Group will commence the discussion of product specification and software and hardware program development and finalise the product design by the 2nd half of 2023; commence demo board production by 1st quarter of 2024 and the trail production by the 2nd quarter of 2024; and extend such electronic paper solution to other consumer electronic products and other customers by the 2nd half of 2024.

The Company intends to apply the net proceeds of approximately HK\$10.2 million for the development of electronic paper products, of which (i) approximately HK\$1.5 million will be used for staff team recruitment consist of approximately 4 new headcounts for sales and engineering personnel; and (ii) approximately HK\$8.7 million for the initial buffer stock ordering.

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MCU applications

With the country's policy of semiconductor self-reliance, China-made MCUs for vehicles will see a huge opportunity to replace the imported products from Europe and the United States. The Group has established business collaboration with a PRC partner which is specialized in development of new energy vehicle and its system and parts, and have agreed to jointly develop and promote its MCU for new energy vehicle controls in the PRC market. The Group have identified and planned to approach two PRC new energy vehicle manufacturers in 2023 to market and promote the MCU products of our PRC partner. Following such initial effort, the Group plan to extend our sales coverage to other PRC vehicle manufacturer in 2024 and/or onward.

The Company intends to apply the net proceeds of approximately HK\$5.2 million for the development of MCU products, of which (i) approximately HK\$1.5 million will be used for staff team recruitment consist of approximately 4 new headcounts for sales and engineering personnel; and (ii) approximately HK\$3.7 million for the initial buffer stock ordering.

General working capital of the Group

Relating to the net proceeds to be used as the general working capital of the Group of approximately HK\$7.7 million, the Company intends to apply: (i) approximately HK\$3.5 million for payment of monthly salaries of the Group's employees; (ii) approximately HK\$2.0 million for monthly lease payments; and (iii) approximately HK\$2.2 million for other general and miscellaneous expenses for supporting the Group's daily operations.

As the Rights Issue will proceed on a non-underwritten basis, the actual amount of the net proceeds from the Rights Issue cannot be ascertained as at the Latest Practicable Date. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As disclosed in the annual report of the Company for the year ended 31 December 2022 and 2021, 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 and the downwards trends of prices of panels and panel modules due to the fierce price competition, the Group has been facing difficult time since 2021 with its financial performance being severely affected. In 2021 and 2022, the Group recorded losses of approximately HK\$46.9 million and approximately HK\$68.5 million respectively. Moreover, the Group had net cash position at 31 December 2020 and its net gearing ratio (calculated based on the Group's net debt and total equity) has increased from 182.1% at 31 December 2021 to 417.4% at 31 December 2022. As at 31 December 2022, the Group still had an outstanding loan of approximately HK\$220.4 million, which are payable within one year. The Rights Issue can immediately strengthen the capital base and financial position of the Company by improving its net assets value and cash on hand without increasing its current liabilities. Assuming the Rights Issue are fully subscribed, the Rights Issue will bring down the Group's net gearing ratio to below 100% immediately. The cash infusion from the rights issue to the capital base will also benefit the Group and enhances its financial flexibility to capture future business opportunities. As such the Board believes that such enhanced capital base and financial position will further strengthen the Group's balance sheet and resilience in a volatile market for its operations and development. The net proceeds from the Rights Issue

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are expected to be used for the Group's general working capital purpose to enhance the Group's capital base and financial position and also to support the on-going business development of the Group. Such intended use of proceeds is not expected to change regardless of the subscription level of the Rights Issue.

The Board has considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Board is of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions, especially the Board has taken into account the slim trading volume of the Shares in the market in the 12 months. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, while it offers Qualifying Shareholders to participate, it does not allow the trading of rights entitlements in the open market which may not be the best option to the Shareholders.

The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange (stock code: 8113). The Group is principally engaged in the sale of electronic components (mainly integrated circuit and panels) for consumer electronic products such as mobile internet devices, electronic learning aids, multi-media player (car infotainment system), smartphone panel modules, set-top boxes and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

LETTER FROM THE BOARD

Set out below is a summary of the audited financial results of the Group for the two years ended 31 December 2021 and 2022, as extracted from the annual report of the Company for the year ended 31 December 2022.

	For the year ended 31 December	
	2021	2022
	HK\$'000	HK\$'000
Revenue	2,847,359	1,732,213
Cost of sales	(2,853,299)	(1,755,766)
Loss before taxation	(46,650)	(68,402)
Income tax expense	(304)	(143)
Loss for the year	(46,954)	(68,545)
Other comprehensive income/(loss) for the year	4,567	(7,737)
Total comprehensive loss for the year	(42,387)	(76,282)

BUSINESS PLANS OF THE GROUP AND INTENTION OF THE CONCERT GROUP

After completion of the proposed Rights Issue, the Company intends to continue with all of its existing businesses and it does not intend to downsize, dispose of or cease any existing business operations and the existing businesses of sale of electronic components for consumer electronic products together with the provision of IDH services to original brand manufacturers and original design manufacturers. The Concert Group had no intention to introduce any major changes to the Group's existing business (including redeployment of the fixed assets of the Group other than in its ordinary course of business) or terminate the continued employment of the employees of the Group; and the Concert Group had no intention to inject any new business/assets to the Group.

As disclosed in the annual report for the year ended 31 December 2022 and the first quarterly report for the three months ended 31 March 2023 of the Company, it is believed that the traditional consumer electronic market has been facing stagnant growth. Looking forward, the Group will maintain a flexible business strategy to explore new business opportunities for its development, including the development of products of:

MCU for new energy vehicles: With the lifting of the pandemic restrictions in China, the central government is expected to implement various measures to boost the economy and accelerate its recovery. Among the country's policies, those for the green energy and semiconductor industries are of particular importance. The Group will adjust its business direction and products to adapt to these trends, focusing on MCU for new energy vehicle controls and MCU for energy storage equipment. In the past, manufacturers of imported or domestic electric vehicles all used MCUs made in Europe and the United States. With the country's policy of semiconductor self-reliance, China-made MCUs for vehicles will gradually replace products from Europe and the United States. The Group has obtained domestic semiconductor agency rights that can be applied to the control of new energy vehicles and energy storage equipment.

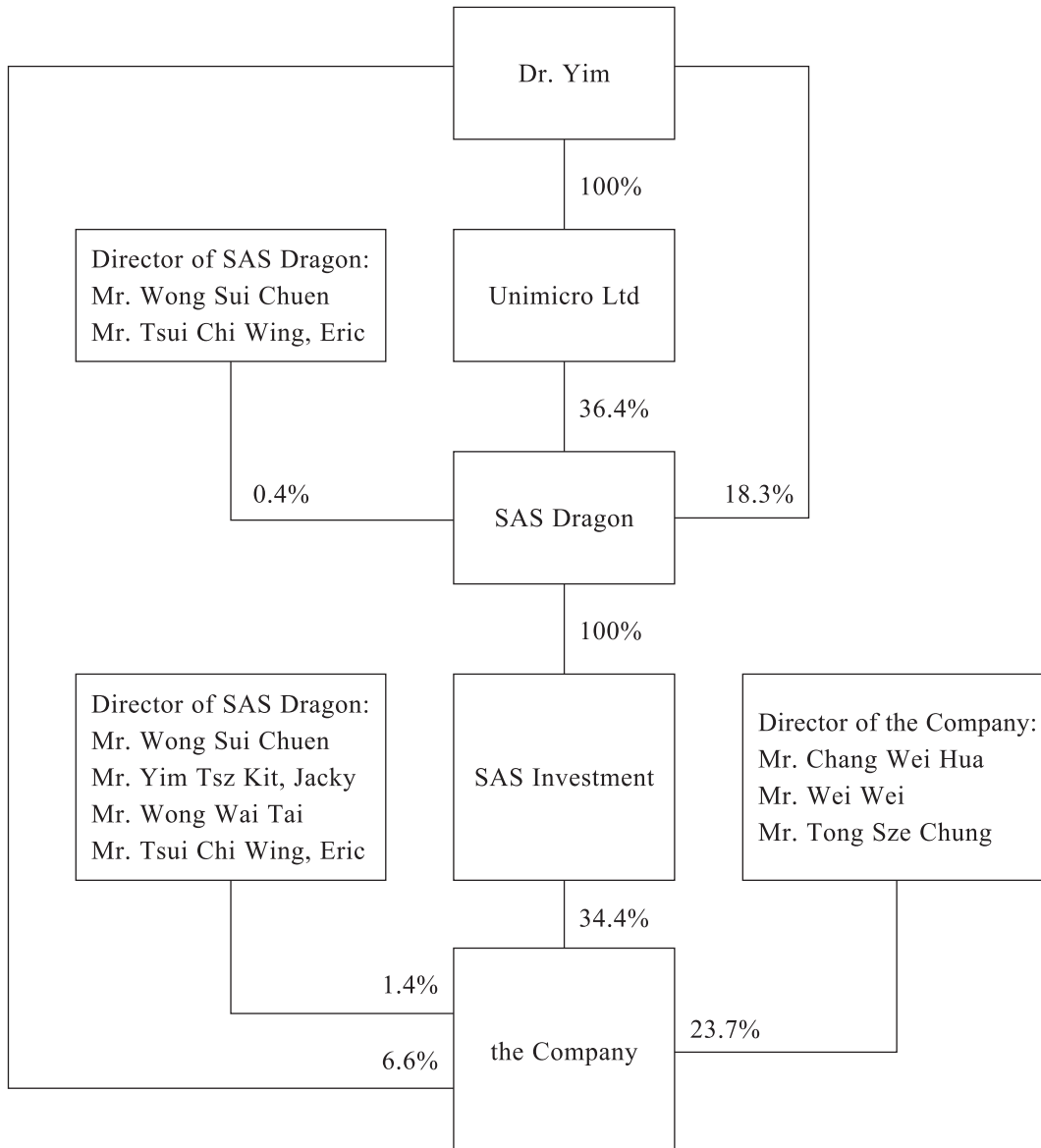
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Electronic paper applications: In respect of electronic paper applications, electronic paper is a display panel component with extremely low energy consumption. At present, electronic paper is widely known for its application in electronic tags and e-books, while the most common product in Hong Kong is the new type of parking meter. The Group has obtained the dealership rights of the world's largest supplier, E-ink, and is now developing displays for portable household appliances and test meters. Currently, several foreign manufacturers have already launched projects and tests.

The Group believes that above products can provide an impetus for the Company's future sustainable development. The Group will endeavor to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different area so as to deliver long term sustainable value to the Shareholders.

INFORMATION ON THE CONCERT GROUP

Set out below is the shareholding structure chart of the Concert Group as at the Latest Practicable Date:



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SAS Dragon is an exempted company incorporated in Bermuda with limited liability with its shares listed and traded on the Main Board of the Stock Exchange (stock code: 1184). The principal activities of SAS Dragon and its subsidiaries include investment holding, distribution of electronic products, sale of business equipment and provision of related ancillary services, property and investment holding and sales and contract work of LED lighting product. As at the Latest Practicable Date, the board of SAS Dragon comprises Dr. Yim, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Ms. Yim Kei Man, Carmen, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin.

SAS Investment is a company incorporated in Hong Kong with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, SAS Investment is a wholly-owned subsidiary of SAS Dragon and its directors are Dr. Yim and Mr. Wong Sui Chuen.

Unimicro is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, Unimicro is owned 100% by Dr. Yim and its directors are Dr. Yim and Ms. Tsui Yuk Shan.

Dr. Yim, aged 64, is the founder, executive director, chairman and managing director of SAS Dragon since 25 May 1993. He was appointed as chairman and executive director of the Company on 1 October 2015. Dr. Yim was also appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange on 15 May 2020 and has been re-designated from independent non-executive director to non-executive director on 15 September 2021 and remained as a member of the audit committee and the nomination committee.

Mr. Wong Sui Chuen, aged 69, is appointed as an executive director of SAS Dragon in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. As at the Latest Practicable Date, Mr. Wong Sui Chuen directly holds 2,531,328 Shares, representing approximately 0.4% of the issued share capital of the Company.

Mr. Yim Tsz Kit, Jacky, aged 38, was appointed as an executive director of SAS Dragon 2013. He is the founder and chief executive officer of S.A.S. Lighting Company Limited. He joined SAS Dragon and its subsidiaries in 2009 and leads a working team to develop the LED lighting business in the group. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric. As at the Latest Practicable Date, Mr. Yim Tsz Kit, Jacky directly holds 300,000 Shares, representing approximately 0.05% of the issued share capital of the Company.

Mr. Wong Wai Tai, aged 52, was appointed as executive director of SAS Dragon in 2016. He joined SAS Dragon in 2005 as the company secretary and chief financial officer of SAS Dragon and its subsidiaries. Mr. Wong Wai Tai was appointed as non-executive director of the Company in 2016. As at the Latest Practicable Date, Mr. Wong Wai Tai directly holds 3,300,000 Shares, representing approximately 0.5% of the issued share capital of the Company.

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Mr. Tsui Chi Wing, Eric, aged 59, is appointed as executive director of SAS Dragon in 2021. He joined the group in 2012 as President of Time Speed Technology Corporation incorporated in Taiwan, a wholly-owned subsidiary of SAS Dragon. He has more than thirty years in the operation and management in the electronic industry. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky. As at the Latest Practicable Date, Mr. Tsui Chi Wing, Eric directly holds 3,233,753 Shares, representing approximately 0.5% of the issued share capital of the Company.

Mr. Chang Wei Hua, aged 58, was appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited, a wholly-owned subsidiary of the Company, in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. Mr. Chang Wei Hua has over 20 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking research and development projects within electronics field. As at the Latest Practicable Date, Mr. Chang Wei Hua is in aggregate interested in 76,847,000 Shares, representing approximately 11.8% of the issued share capital of the Company, in which he beneficially owns 600,000 Shares, representing approximately 0.1% of the issued share capital of the Company, and 76,247,000 Shares, representing approximately 11.7% of the issued share capital of the Company, are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.

Mr. Wei Wei, aged 53, was appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. Mr. Wei Wei is responsible for the operations of the Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking research and development projects. As at the Latest Practicable Date, Mr. Wei Wei is in aggregate interested in 76,847,000 Shares, representing approximately 11.8% of the issued share capital of the Company, in which he beneficially owns 600,000 Shares, representing approximately 0.1% of the issued share capital of the Company, and 76,247,000 Shares, representing approximately 11.7% of the issued share capital of the Company, are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

Mr. Tong Sze Chung, aged 54, was appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Tong Sze Chung joined Hi-Level Technology Limited as the financial controller on 1 January 2013. Mr. Tong Sze Chung has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015. Mr. Tong is responsible for the accounting and financial management of the Group's operations. He has over 20 years' experience in accounting and financial management. As at the Latest Practicable Date, Mr. Tong Sze Chung directly holds 600,144 Shares, representing approximately 0.1% of the issued share capital of the Company.

As at the Latest Practicable Date, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company.

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Furthermore, as at the Latest Practicable Date, Dr. Yim is a controlling shareholder of SAS Dragon in aggregate interested in 342,342,800 issued shares of SAS Dragon, representing approximately 54.7% of the issued shares of SAS Dragon, comprising 227,542,800 issued shares of SAS Dragon, representing approximately 36.4% of the issued shares of SAS Dragon, indirectly held through Unimicro and 114,800,000 issued shares of SAS Dragon, representing approximately 18.3% of the issued shares of SAS Dragon, held directly by him. Dr. Yim, being a controlling shareholder of SAS Dragon, is deemed to be interested in 224,423,000 Shares held by SAS Investment under the SFO.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming no further Shares will be issued or repurchased from the Latest Practicable Date and up to and including the date of completion of the Rights Issue):

	As at the Latest Practicable Date		Assuming all Shareholders have taken up the Rights Shares		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>Controlling Shareholders of the Company</i>								
SAS Investment (Notes 1 and 2)	224,423,000	34.4	448,846,000	34.4	448,846,000	34.4	416,252,612	47.2
Dr. Yim (Notes 1, 2 and 12)	43,122,861	6.6	86,245,722	6.6	86,245,722	6.6	79,982,905	9.1
Sub-total of the Controlling Shareholders	267,545,861	41.0	535,091,722	41.0	535,091,722	41.0	496,235,517	56.3
<i>Directors of SAS Dragon</i>								
Wong Sui Chuen (Notes 10 and 12)	2,531,328	0.4	5,062,656	0.4	2,531,328	0.2	2,531,328	0.3
Yim Tsz Kit, Jacky (Notes 11 and 12)	300,000	0.05	600,000	0.05	300,000	0.02	300,000	0.03
Wong Wai Tai (Notes 5 and 12)	3,300,000	0.5	6,600,000	0.5	3,300,000	0.3	3,300,000	0.4
Tsui Chi Wing, Eric (Notes 9 and 12)	3,233,753	0.5	6,467,506	0.5	3,233,753	0.2	3,233,753	0.4
Sub-total of the directors of SAS Dragon	9,365,081	1.4	18,730,162	1.4	9,365,081	0.7	9,365,081	1.1

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	As at the Latest Practicable Date		Assuming all Shareholders have taken up the Rights Shares		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>Directors of the Company</i>								
Chang Wei Hua (Notes 3 and 13)	76,847,000	11.8	153,694,000	11.8	76,847,000	5.9	76,847,000	8.7
Wei Wei (Notes 4 and 13)	76,847,000	11.8	153,694,000	11.8	76,847,000	5.9	76,847,000	8.7
Tong Sze Chung (Notes 6 and 13)	600,144	0.1	1,200,288	0.1	600,144	0.05	600,144	0.07
Sub-total	154,294,144	23.7	308,588,288	23.7	154,294,144	11.8	154,294,144	17.5
Sub-total of the Concert Group	431,205,086	66.1	862,410,172	66.1	698,750,947	53.5	659,894,742	74.9
<i>Directors of the Company</i>								
Fung Cheuk Nang, Clement (Note 7)	600,000	0.1	1,200,000	0.1	600,000	0.05	600,000	0.07
Tsoi Chi Ho, Peter (Note 8)	600,000	0.1	1,200,000	0.1	600,000	0.05	600,000	0.07
Sub-total	1,200,000	0.2	2,400,000	0.2	1,200,000	0.1	1,200,000	0.1
Independent Places	-	-	-	-	385,224,139	29.5	-	-
Other Public Shareholders	220,364,914	33.8	440,729,828	33.8	220,364,914	16.9	220,364,914	25
Total	652,770,000	100	1,305,540,000	100	1,305,540,000	100	881,459,656	100

* Figures may not add up due to rounding

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Notes:

- (1) Dr. Yim is the controlling shareholder of SAS Dragon and is interested in approximately 54.7% of the issued shares of SAS Dragon, which in turn owns 100% of the shareholding of SAS Investment. Dr. Yim is an executive Director and the chairman of the Company and an executive director and chairman of SAS Dragon.
- (2) Each of SAS Investment and Dr. Yim has respectively undertaken that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.
- (3) Mr. Chang Wei Hua, an executive Director, 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.
- (4) Mr. Wei Wei, an executive Director, 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.
- (5) Mr. Wong Wai Tai is an executive director of SAS Dragon and also a non-executive Director of the Company.
- (6) Mr. Tong Sze Chung is an executive Director.
- (7) Mr. Fung Cheuk Nang, Clement is an independent non-executive Director.
- (8) Mr. Tsoi Chi Ho, Peter is an independent non-executive Director.
- (9) Mr. Tsui Chi Wing, Eric is an executive director of SAS Dragon. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky.
- (10) Mr. Wong Sui Chuen is an executive director of SAS Dragon.
- (11) Mr. Yim Tsz Kit, Jacky is an executive director of SAS Dragon. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric.
- (12) Pursuant to class (2) of the definition of the "acting in concert" under the Takeovers Code, a company with any directors (together with their close relatives, related trusts and companies controlled by such directors, close relatives and related trusts) of the company or of its parent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen and Mr. Yim Tsz Kit, Jacky are directors of SAS Dragon, they are presumed to be parties acting in concert with SAS Dragon under this class.
- (13) Pursuant to class (6) of the definition of the "acting in concert" under the Takeovers Code, directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung are directors of the Company, they are presumed to be parties acting in concert with Dr. Yim under this class.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the Latest Practicable Date, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company. Accordingly, the Concert Group and those Shareholders who are involved in, or interested in, the Rights Issue and the Placing Agreement have abstained from voting in favour of the proposed Rights Issue and the Placing Agreement at the EGM. On 25 July 2023, the resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder respectively were passed by the Independent Shareholders at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of the Announcement and up to the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

THE WHITEWASH WAIVER

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% (with the shareholding interest of SAS Investment increases from approximately 34.4% to 47.2% and the shareholding interest of Dr. Yim increases from approximately 6.6% to 9.1% respectively) of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

LETTER FROM THE BOARD

Insofar as the Concert Group is concerned, assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of the Concert Group will increase from approximately 66.1% to 74.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by the Concert Group, unless a waiver is granted by the Executive.

In light of the above, SAS Investment and Dr. Yim have made an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. On 14 July 2023, the Executive granted the Whitewash Waiver, which was subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively. At the EGM held on 25 July 2023, the relevant resolutions were duly passed by the Independent Shareholders by way of poll.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Rights Issue, SAS Investment and Dr. Yim may hold more than 50% of the voting rights of the Company. Hence, SAS Investment and Dr. Yim may increase their holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after completion of the Rights Issue.

As at the Latest Practicable Date, the Company does not believe that the Rights Issue, the Placing Agreement and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules).

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” in this Prospectus including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed.

LETTER FROM THE BOARD

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Thursday, 27 July 2023. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 9 August 2023 to Wednesday, 16 August 2023 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

By Order of the Board
Hi-Level Technology Holdings Limited
Dr. Yim Yuk Lun, Stanley BBS JP
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hi-levelhk.com):

- (i) the unaudited financial information of the Group for the three months ended 31 March 2023 is disclosed in the 2023 first quarterly report of the Company for the three months ended 31 March 2023 published on 11 May 2023, from pages 2 to 7 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0511/2023051100412.pdf>);
- (ii) the audited financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 29 March 2023, from pages 30 to 103 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0329/2023032900731.pdf>);
- (iii) the audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 29 March 2022, from pages 30 to 105 (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0329/2022032900573.pdf>); and
- (iv) the audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 29 March 2021, from pages 29 to 107 (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0329/2021032900648.pdf>).

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022 as extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial results of the Group for the three months ended 31 March 2023 as extracted from the condensed consolidated financial statements of the Company as set forth in the 2023 first quarterly report of the Company for the three months ended 31 March 2023:

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the years ended 31 December			For the three months ended 31 March
	2020	2021	2022	2023
	(audited) <i>HK'000</i>	(audited) <i>HK'000</i>	(audited) <i>HK'000</i>	(unaudited) <i>HK'000</i>
Revenue	2,254,195	2,847,359	1,732,213	312,280
Cost of sales	(2,172,604)	(2,853,299)	(1,755,766)	(296,935)
Gross profit/(loss)	81,591	(5,940)	(23,553)	15,345
Other income	1,831	1,004	2,145	348
Other gain/(loss)	233	(737)	(1,378)	170
Impairment losses under expected credit loss model, net of (provision)/reversal	(3,545)	1,743	(387)	(278)
Distribution costs	(13,381)	(15,679)	(14,583)	(3,622)
Administrative expenses	(24,614)	(24,200)	(22,916)	(4,991)
Finance costs	(3,283)	(2,841)	(7,730)	(2,790)
Profit/(Loss) before taxation	38,832	(46,650)	(68,402)	4,182
Income tax expense	(6,705)	(304)	(143)	–
Profit/(Loss) for the year/period	32,127	(46,954)	(68,545)	4,182
Other comprehensive income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations:				
– subsidiaries	5,203	4,567	(7,737)	6,270
Other comprehensive income for the year/period	5,203	4,567	(7,737)	6,270
Total comprehensive income for the year/period	37,330	(42,387)	(76,282)	10,452
Earnings/(Loss) per share <i>(HK cents)</i>				
– basic	4.92	(7.19)	(10.50)	0.64
– diluted	4.92	(7.19)	(10.50)	0.64
Dividend per share <i>(HK cents)</i>	2.5	1.0	–	–

Save as disclosed above, the Group did not have any item of any income or expenses which was material for each of the three years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023.

The following is a summary of the audited consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 as extracted from the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022:

	As at 31 December		
	2020	2021	2022
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Non-current assets			
Property, plant and equipment	1,806	1,826	1,133
Right-of-use assets	8,331	6,249	2,587
Club membership	266	266	266
Rental deposit	777	790	—
	<u>11,180</u>	<u>9,131</u>	<u>3,986</u>
Current assets			
Inventories	239,680	477,692	140,771
Trade and other receivables	165,558	143,925	131,884
Debt instruments at fair value through other comprehensive income	1,477	6,342	25,283
Taxation recoverable	—	3,227	4,309
Fixed bank deposit	—	15,000	15,000
Bank balances and cash	140,961	113,864	91,896
	<u>547,676</u>	<u>745,050</u>	<u>409,143</u>
Current liabilities			
Trade and other payables	310,335	327,175	148,770
Contract liabilities	10,279	14,519	13,608
Lease liabilities	8,194	3,471	2,640
Amount due to a related party	91	132	333
Taxation payable	6,429	155	91
Bank borrowings	54,667	302,343	220,428
	<u>389,995</u>	<u>647,795</u>	<u>385,870</u>
Net current assets	<u>157,681</u>	<u>97,255</u>	<u>23,273</u>

	As at 31 December		
	2020	2021	2022
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Total Assets less Current Liabilities	168,861	106,386	27,259
Non-current liabilities			
Lease liabilities	142	2,901	56
Net assets	168,719	103,485	27,203
Capital and Reserves			
Share capital	6,528	6,528	6,528
Reserves	162,191	96,957	20,675
Total equity	168,719	103,485	27,203

Opinion by the auditor of the Company in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2020, 2021 and 2022

The auditors' report issued by BDO Limited in respect of the Group's audited consolidated financial statements for the each of the three years ended 31 December 2020, 2021 and 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern. The Company's auditors have not issued any qualified opinion on the Group's financial statements for each of the three years ended 31 December 2020, 2021 and 2022.

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	<i>HK\$'000</i>
Bank Borrowing	
– Unsecured bank borrowings: Invoice financing and import loan	78,754
– Secured bank borrowings: Invoice financing and import loan (<i>Note a</i>)	28,700
	<hr/>
Total Bank Borrowing (<i>Note b</i>)	107,454
Amount due to a related company (<i>Note c</i>)	456
Lease Liabilities	
– due within 1 year	1,399
– due later than 1 year	43
	<hr/>
Total Lease Liabilities	1,442
	<hr/>
Total debt	109,352
	<hr/> <hr/>

Notes:

- (a) Bank borrowings are secured by a short-term bank deposit with carrying amount of HK\$15,000,000
- (b) All the bank borrowings are repayable within a period not exceeding one year
- (c) As at 30 Jun 2023, the Group had outstanding amounts due to a related company of approximately HK\$0.456 million which were unsecured, interest free and repayable on demand. There is no guarantee on the amounts due to a related company.

Save as disclosed above, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 30 June 2023.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the financial resources presently available to the Group including internally generated funds, the currently available banking facilities and other borrowings and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of the publication of this Prospectus.

4. MATERIAL ADVERSE CHANGE

Save as disclosed below, the Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group subsequent to 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

During the three months ended 31 March 2023, the Group's average monthly revenue, had decreased as compared to that of the year ended 31 December 2022 as the overall electronic consumer market remained weak. While the Group recorded a loss of approximately HK\$68.5 million for the year ended 31 December 2022, it recorded profits of approximately HK\$4.2 million during the three months ended 31 March 2023 as disclosed in the first quarterly report of the Company for the three months ended 31 March 2023 due to the absence of specific provision of allowance for inventories.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

The Group is principally 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 players (car infotainment system), smartphone panel modules, set-top boxes ("STB"), and video image devices together with the provision of IDH services to original brand manufacturers and original design manufacturers.

During the latest financial year, the Group's overall financial performance sluggish mainly due to the 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 and the downwards trends of price of panels and panel modules due to the fierce price competition. In 2021 and 2022, the Group recorded losses of approximately HK\$46.9 million and approximately HK\$68.5 million respectively. According to the Company's annual report for the year ended 31 December 2022, the total assets and liabilities of the Group amounted to approximately HK\$413.1 million and HK\$385.9 million, respectively. The Group's sales in the first quarter of 2023 was slightly better than expected. However, as the overall consumer electronic market remained weak. Coupled with the high US dollar interest rates added to the burden of business operations, most customers have adopted a more conservative business strategy to cope with the current economic situation.

Look forward, traditional consumer electronic market is believed to face stagnant growth. 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 is currently in the process of developing products including:

Microcontrollers (MCU) for new energy vehicles: With the lifting of the pandemic restrictions in China, the central government is expected to implement various measures to boost the economy and accelerate its recovery. Among the country's policies, those for the green energy and semiconductor industries are of particular importance. The Group will adjust its business direction and products to adapt to these trends, focusing on MCU for new energy vehicle controls and MCU for energy storage equipment. In the past, manufacturers of imported or domestic electric vehicles all used MCUs made in Europe and the United States. With the country's policy of semiconductor self-reliance, China-made MCUs for vehicles will gradually replace products from Europe and the United States. The Group has obtained domestic semiconductor agency rights that can be applied to the control of new energy vehicles and energy storage equipment.

Electronic paper applications: In respect of electronic paper applications, electronic paper is a display panel component with extremely low energy consumption. At present, electronic paper is widely known for its application in electronic tags and e-books, while the most common product in Hong Kong is the new type of parking meter. The Group has obtained the dealership rights of the world's largest supplier, E-ink, and is now developing displays for portable household appliances and test meters. Currently, several foreign manufacturers have already launched projects and tests. The Group believes that above products can provide an impetus for the Company's future sustainable development.

Although there are challenges and difficulties, the Group will maintain a flexible business strategy to explore new business opportunities for its development. The Group will continue to explore and seize business opportunities so as to achieve the sustainable business development.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The accompanying unaudited pro forma statement of adjusted consolidated net tangible assets (collectively the “**Unaudited Pro Forma Financial Information**”) of the Group has been prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company on 31 December 2022 as if it had taken place on 31 December 2022.

Capitalised terms used herein shall have the same meanings as those defined in this Prospectus unless the context otherwise requires. The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual consolidated net tangible assets of the Group had the Rights Issue been completed as at 31 December 2022 or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2022, as extracted from the published annual report of the Group for the year ended 31 December 2022, with adjustments described below.

B. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2(a))</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after completion of the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 per Share <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after the Rights Issue per Share <i>HK\$</i> <i>(Note 4(a))</i>
Rights issue of 652,770,000 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share	27,203	77,132	104,335	0.042	0.080
Scenario for illustrative purposes	<i>(Note 1)</i>	<i>(Note 2(b))</i>		<i>(Note 3)</i>	<i>(Note 4(b))</i>
Rights issue of 228,689,656 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share	27,203	26,243	53,446	0.042	0.061

Note:

1. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of approximately HK\$27,203,000 represents the net assets of the Group attributable to the equity holders of the Company, as extracted from the published annual report of the Company for the year ended 31 December 2022.
- 2(a). The estimated net proceeds from the Rights Issue of approximately HK\$77,132,000, which are calculated based on the 652,770,000 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share and after deduction of estimated professional fees and other related expenses which are directly attributable to the Rights Issue of approximately HK\$1,200,000, assuming that all Shareholders have taken up the Rights Shares.
- 2(b). **Scenario for illustrative purposes assuming (1) no Qualifying Shareholders (save for SAS Investment and Dr Yim) take up their respective entitlements under the Rights Issue, (2) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent, and (3) Rights Shares to be issued to the extent that the public float requirement under the GEM Listing Rules.**

As at the date of this Prospectus, SAS Investment and Dr. Yim have undertaken to accept in full the Rights Shares to be provisionally allotted to them or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company.

For illustrative purpose, the estimated net proceeds from the Rights Issue of approximately HK\$26,243,000, which are calculated based on the 228,689,656 Rights Shares to be issued at the subscription price of HK\$0.12 per Rights Share and after deduction of estimated professional fees and other related expenses which are directly attributable to the Rights Issue of approximately HK\$1,200,000, assuming that save for SAS Investment and Dr. Yim, no other Qualifying Shareholders take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent.

3. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 per Share of HK\$0.042 was based on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of approximately HK\$27,203,000 and 652,770,000 Shares in issue as at 31 December 2022.

Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 (<i>HK\$ '000</i>)	27,203
Number of Shares in issue as at 31 December 2022	652,770,000
Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 per Share (<i>HK\$</i>)	0.042

- 4(a). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after completion of the Rights Issue per Share is arrived after aggregating the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of HK\$27,203,000 (Note 1) and the estimated net proceeds of HK\$77,132,000 from the Rights Issue (Note 2(a)) and on the basis that 652,770,000 Shares were in issue as at 31 December 2022 and 652,770,000 Rights Shares were issued under the Rights Issue as if the Rights Issue has been completed on 31 December 2022, assuming that all Shareholders have taken up the Rights Shares.

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 (<i>HK\$ '000</i>)	104,335
Number of Shares in issue as at 31 December 2022 and Rights Shares to be issued pursuant to the Rights Issue as if the Rights Issue had been completed on 31 December 2022	1,305,540,000
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after the completion of the Rights Issue per Share (<i>HK\$</i>)	0.080

- 4(b). **Scenario for illustrative purposes assuming (1) no Qualifying Shareholders (save for SAS Investment and Dr Yim) take up their respective entitlements under the Rights Issue, (2) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent, and (3) Rights Shares to be issued to the extent that the public float requirement under the GEM Listing Rules.**

For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after completion of the Rights Issue per Share is arrived after aggregating the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 of HK\$27,203,000 (Note 1) and the estimated net proceeds of HK\$26,243,000 from the Rights Issue (Note 2(b)) and on the basis that 652,770,000 Shares were in issue as at 31 December 2022 and 228,689,656 Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company were issued under the Rights Issue as if the Rights Issue has been completed on 31 December 2022, assuming that save for SAS Investment and Dr. Yim, no other Qualifying Shareholders take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent.

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 (<i>HK\$ '000</i>)	53,446
Number of Shares in issue as at 31 December 2022 and Rights Shares to be issued pursuant to the Rights Issue as if that the Rights Issue had been completed on 31 December 2022	881,459,656
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2022 after the completion of the Rights Issue per Share (<i>HK\$</i>)	0.061

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022, and because of its nature, it may not give a true picture of the Group's financial position or results.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus and received from the independent reporting accountants, BDO Limited, Certified Public Accountants, in respect of the Unaudited Pro Forma Financial Information of the Group.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Hi-Level Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hi-Level Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2022 and related notes as set out in Sections A and B of Appendix II of the Company’s prospectus dated 7 August 2023 (the “**Prospectus**”) in connection with the Rights Issue on the basis of one Rights Share for every one Share held on the Record Date (as defined in the Prospectus) on a non-underwritten basis (the “**Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Sections A and B of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Rights Issue on the Group’s financial position as at 31 December 2022 as if the Rights Issue had taken place at 31 December 2022. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s consolidated financial statements as at 31 December 2022, on which an auditor’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

7 August 2023

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming (i) no further issue or repurchase of Shares on or before the completion of the Rights Issue and (ii) all Shareholders have taken up the Rights Shares or all Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements) will be as follows:

(a) As at the Latest Practicable Date

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares of par value HK\$0.01 each	<u>20,000,000</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>652,770,000</u> Shares of par value HK\$0.01 each	<u>6,527,700</u>

- (b) **Immediately following the completion of the Rights Issue (assuming (i) no other change in the number of Shares in issue up to completion of the Rights Issue save for the issue of the Rights Shares and (ii) all Shareholders have taken up the Rights Shares or all Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements)**

<i>Authorised share capital</i>		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.01 each	20,000,000
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<i>Issued and fully paid:</i>		<i>HK\$</i>
652,770,000	Shares as at the Latest Practicable Date	6,527,700
652,770,000	Rights Shares to be issued pursuant to the Rights Issue	6,527,700
1,305,540,000	Shares in issue immediately upon completion of the Rights Issue	13,055,400
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All Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the Shares in issue on the date of allotment and issue of the Rights Shares in all respects including rights to dividends, voting and return of capital. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the fully-paid Rights Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in issue and to be issued, and the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

The Company had not issued any Shares since 31 December 2022, being the end of the last financial year of the Company, and up to the Latest Practicable Date. As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”), to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code were as follows:

Long Positions in Shares(a) *Interest in the Shares*

Name of Directors or chief executives	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the issued shares
Dr. Yim (Note 1)	Interest in a controlled corporation	224,423,000	34.4%
	Beneficial owner	43,122,861	6.6%
Chang Wei Hua (Note 2)	Interest in a controlled corporation	76,247,000	11.7%
	Beneficial owner	600,000	0.1%
Wei Wei (Note 3)	Interest in a controlled corporation	76,247,000	11.7%
	Beneficial owner	600,000	0.1%
Wong Wai Tai	Beneficial owner	3,300,000	0.5%
Tong Sze Chung	Beneficial owner	600,144	0.1%
Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.1%
Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.1%

Notes:

1. Dr. Yim beneficially owns 43,122,861 Shares and is the controlling shareholder of SAS Dragon, being interested in approximately 54.7% of the issued shares of SAS Dragon; Dr. Yim, being a controlling shareholder of SAS Dragon, is therefore deemed to be interested in 224,423,000 Shares held by SAS Investment under the SFO, which is a wholly-owned subsidiary of SAS 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.

(b) Interest in the shares of as associated corporation

Director	Name of associated corporation	Capacity/ Nature of Interest	Number of shares	Approximate percentage of the issued shares
Dr. Yim <i>(Note 1)</i>	SAS Dragon	Interest in a controlled corporation	227,542,800	36.4%
		Beneficial owner	114,800,000	18.3%

Note:

1. As at the Latest Practicable Date, Dr. Yim directly holds 114,800,000 shares in SAS Dragon and is interested in 100% interest in Unimicro and is therefore deemed to be interested in 227,542,800 shares in SAS Dragon held by Unimicro under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Required Standard of Dealings, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

(B) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position 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 who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions in the Shares and underlying Shares

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the issued shares
SAS Dragon	Interest in a controlled corporation	227,542,800 (L)	36.4%
SAS Investment	Beneficial owner	227,542,800 (L)	36.4%

Notes:

- The letter "L" denotes the person/corporation's long position in our Shares.
- SAS Dragon is deemed to be interested in the 227,542,800 Shares held by SAS Investment, a wholly-owned subsidiary of SAS Dragon, under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had any service contracts with the Group other than those which were expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save for the Undertakings, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. MATERIAL CONTRACT

The material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) entered into by members of the Group from 7 August 2021 (being the date falling two years immediately preceding 7 August 2023 (being the date of this Prospectus)) up to and including the Latest Practicable Date comprises the placing agreement dated 8 June 2023 entered into between the Company (as issuer) and the Placing Agent (as placing agent) in relation to the placing of up to a maximum of 652,770,000 new Shares at the placing price of not less than HK\$0.12 per Share pursuant to the terms and conditions of the Placing Agreement.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

9. EXPERT AND CONSENT

The qualification of the expert who has given opinions, letters or advice contained in this Prospectus is set out below:

Name	Qualification
BDO Limited	Certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, the Placing Agreement and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$1,200,000.

11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the existing Directors are set out below:

Executive Directors

Dr. Yim, aged 63, is appointed as a group chairman and executive Director of the Company on 1 October 2015. He is responsible for the formulation of corporate strategies and the overall direction of the Group. Dr. Yim is the founder, executive director, chairman and managing director of SAS Dragon (stock code: 1184, a company listed on the Main Board of the Stock Exchange in 1994) since 25 May 1993. Dr. Yim is appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange on 15 May 2020 and has been re-designated from independent non-executive director to a non-executive director on 15 September 2021 and remain as a member of the audit committee and the nomination committee.

Dr. Yim is currently the president of the Hong Kong Justice of the Peace Association, a member of HKSAR Fight Crime Committee, a non-official member of Correctional Services Department Complaints Appeal Board, a member of Development Bureau Appeal Tribunal Panel, the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, the vice chairman of Federation of Hong Kong-Shanghai Associations, the chairman of the Tsuen Wan District Civic Education Committee, the vice chairman of Tsuen Wan District JPC Honorary President Council and the honorary permanent president of Hong Kong Baptist University Foundation.

Mr. Chang Wei Hua (張偉華), aged 58, is appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. He graduated from Tungnan University in Taiwan with a Bachelor's degree in Electronics Engineering in June 1985.

Mr. Chang has over 20 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking R & D projects within electronics field.

Mr. Wei Wei (魏衛), aged 53, is appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. He graduated from Huazhong University of Science and Technology in Wuhan, Hubei with a Bachelor's degree in Electronics Engineering in July 1991.

Mr. Wei is responsible for the operations of our Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking R & D projects.

Mr. Tong Sze Chung (唐思聰), aged 54, is appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee. Mr. Tong joined Hi-Level Technology Limited as the financial controller on 1 January 2013. He obtained a Bachelor's degree of Business Administration from the Open University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tong has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015.

Mr. Tong is responsible for the accounting and financial management of Hi-Level group's operations. He has over 20 years' experience in accounting and financial management.

Non-executive Director

Mr. Wong Wai Tai (黃維泰), aged 52, is appointed as non-executive Director of the Company in 2016. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years' experience in accounting, auditing, taxation and financial management.

Mr. Wong is appointed as executive director of SAS Dragon (stock code: 1184) in 2016 which is listed on the Main Board of the Stock Exchange.

Independent non-executive Directors

Mr. Shea Chun Lok, Quadrant (佘俊樂) (alias Martin, former name, Shea Chi Lap, Quadrant), aged 56, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a chairman of our Audit Committee, Nomination Committee and Remuneration Committee. Mr. Shea graduated from Monash University of Australia with a Bachelor's degree in Business and later completed a postgraduate program of Public Finance (Taxation) and obtained a Master's degree in Economics from Jinan University, China and a Master of Laws degree from Renmin University of China. He is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a Chartered Tax Adviser of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau.

Mr. Shea has substantial experience in accounting and finance in listed companies and worked as a qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. He was the group financial controller of SAS Dragon (stock code: 1184) from 1999 to 2005, a company listed on the Main Board of the Stock Exchange. Mr. Shea has been appointed as the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (stock code: 711) (“AAI”), a company listed on the Main Board of the Stock Exchange, since 2015. He has further been appointed as an executive director of AAI since July 2017 and is also currently a member of the management committee and executive committee of the board and the member of the property development executive board of AAI. Mr. Shea has also been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (stock code: 371) since 2002, a company listed on the Main Board of the Stock Exchange, and is also the chairman of the audit committee of the company.

Mr. Fung Cheuk Nang, Clement (馮卓能), aged 46, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He has extensive management experience in development and manufacturing of consumer products.

Mr. Fung is also a director of Smarhome Technology Limited and Smarhome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. Mr. Fung has been appointed as an independent non-executive director of Crocodile Garments Limited (stock code: 122), a company listed on the Main Board of the Stock Exchange, since March 2021. Mr. Fung holds positions in various charitable and social organisations. He is a member of the advisory board of Yan Chai Hospital, of which he was the chairman of the board of directors during the term of year 2018-2019.

Mr. Tsoi Chi Ho, Peter (蔡子豪), aged 36, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of the Audit Committee. Mr. Tsoi graduated from the York University of Canada with a Bachelor’s degree in Business Administration Studies in June 2009 and obtained his Master’s degree in E-Commerce from the Hong Kong Polytechnic University in November 2010.

Mr. Tsoi has been the marketing director of an international trading company in South Africa since 2010 and is mainly responsible for coordinating sales and sourcing electronic products from China to South Africa. He has substantial experience in marketing and trading of electronic products as well as extensive knowledge on the electronic industry of South Africa.

Business address of the Directors

The business address of the Directors and chief executive officer is the same as the Company’s head office and principal place of business in Hong Kong at Room 614, 6/F, Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

12. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	One Nexus Way Camana Bay, Grand Cayman KY1-9005, Cayman Islands
Head office and principal place of business in Hong Kong	Room 614, 6/F, Tower B Hunghom Commercial Centre 37 Ma Tau Wai Road, Hunghom Kowloon, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Intertrust Corporate Services (Cayman) Limited One Nexus Way Camana Bay, Grand Cayman KY1-9005, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Company secretary	Mr. Tong Sze Chung
Authorised representatives	Chang Wei Hua Room 614, 6/F, Tower B Hunghom Commercial Centre 37 Ma Tau Wai Road, Hunghom Kowloon, Hong Kong Tong Sze Chung Room 614, 6/F, Tower B Hunghom Commercial Centre 37 Ma Tau Wai Road, Hunghom Kowloon, Hong Kong
Principal banker	Bank of China (Hong Kong) Limited Bank of China Tower, 1 Garden Road, Hong Kong Hang Seng Bank Limited 83 Des Voeux Road, Central, Hong Kong Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong

Reporting accountants	BDO Limited Certified Public Accountants 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Legal adviser to the Company as to Hong Kong laws	TC & Co. Units 2201-2203 22/F, Tai Tung Building 8 Fleming Road Wanchai Hong Kong
Legal adviser to the Company as to Cayman Islands laws	Appleby Suites 4201-03 & 12, 42/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong
Placing Agent	Sunny Fortune Capital Limited 2101, Chinachem Century Tower 178 Gloucester Road Wanchai, Hong Kong

13. GENERAL

- (i) The company secretary of the Company is Mr. Tong Sze Chung.
- (ii) The audit committee of the Board was established with written terms of reference adopted in compliance with the GEM Listing Rules. The main functions of the audit committee are to, among others, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee consists of three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant (chairman of the committee), Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter. A summary of their background (including current and past directorships of other listed companies, if any) is set out in the paragraphs headed "11. Particulars of Directors and Senior Management" in this appendix.

- (iii) The registered office of SAS Investment is situated at 18/F., S.A.S. Tower 55 Lei Muk Road, Kwai Chung, N.T., H.K.
- (iv) The registered office of SAS Dragon is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the correspondence address in Hong Kong is situated at 19/F., S.A.S. Tower 55 Lei Muk Road, Kwai Chung, N.T., H.K..
- (v) The address of Dr. Yim is situated at House B, No. 2 Oxford Road, Kowloon Tong, Kowloon, Hong Kong.
- (vi) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (vii) As at the Latest Practicable Date, there is no material foreign exchange exposure to the Company.
- (viii) In the event of inconsistency, the English text of this Prospectus shall prevail over the Chinese text.
- (ix) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

14. LEGAL EFFECT

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the Laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent referred to in the paragraph headed “9. Expert and consent” in this appendix have been delivered to the Registrar of Companies of Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.hi-levelhk.com) and the Stock Exchange (www.hkexnews.hk) for the period of 14 days from the date of this Prospectus:

- (a) the report from BDO Limited on the unaudited pro forma financial information of the Group in respect of the Rights Issue, the text of which is set out in Appendix II to this Prospectus;
- (b) the written consent referred to in the paragraph headed “9. Expert and Consent” in this appendix; and
- (c) the material contract referred to in the paragraph headed “7. Material contract” in this appendix.