



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8113

Interim Report

2023



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP* (*Chairman*)
Mr. Chang Wei Hua (*Chief Executive Officer*)
Mr. Wei Wei
Mr. Tong Sze Chung

Non-Executive Director

Mr. Wong Wai Tai

Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant
Mr. Fung Cheuk Nang, Clement
Mr. Tsoi Chi Ho, Peter

AUDIT COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)
Mr. Fung Cheuk Nang, Clement
Mr. Tsoi Chi Ho, Peter

NOMINATION COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)
Mr. Fung Cheuk Nang, Clement
Mr. Tong Sze Chung

REMUNERATION COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)
Mr. Fung Cheuk Nang, Clement
Mr. Tong Sze Chung

COMPANY SECRETARY

Mr. Tong Sze Chung

COMPLIANCE OFFICER

Mr. Tong Sze Chung

REGISTERED OFFICE

One Nexus Way
Camana Bay, Grand Cayman
KY1-9005, Cayman Islands

PRINCIPAL OFFICE

Room 614, 6/F., Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road, Hunghom
Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

WEBSITE

<http://www.hi-levelhk.com>

STOCK CODE

The Stock Exchange of Hong Kong Limited:
8113

FINANCIAL HIGHLIGHTS

For the six months ended
30 June

	2023 (Unaudited)	2022 (Unaudited)	Change
Revenue (HK\$'000)	648,431	1,017,045	-36.2%
Profit attributable to owners of the Company (HK\$'000)	10,117	13,090	-22.7%
Basic earnings per share (HK cents)	1.55	2.00	-22.5%

The board of directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023, together with comparative figures for the previous period, as follows:

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

For the six months ended 30 June 2023

	Notes	For the Three months ended 30 June		For the Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	336,151	544,207	648,431	1,017,045
Cost of sales		(319,768)	(523,375)	(616,703)	(980,672)
Gross profit		16,383	20,832	31,728	36,373
Other income		332	551	680	796
Other loss		(1,227)	(1,633)	(1,057)	(1,688)
Impairment loss under expected credit loss model, net of reversal/(provision)		977	(511)	699	(855)
Distribution costs		(3,465)	(3,965)	(7,087)	(7,619)
Administrative expenses		(5,631)	(5,556)	(10,622)	(11,053)
Finance costs		(1,429)	(1,552)	(4,219)	(2,750)
Profit before taxation		5,940	8,166	10,122	13,204
Income tax expense	4	(5)	(114)	(5)	(114)
Profit for the period	6	5,935	8,052	10,117	13,090
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations: – subsidiaries		(3,779)	–	2,491	–
Total comprehensive income for the period		2,156	8,052	12,608	13,090
Earnings per share (HK cents)					
– Basic & diluted	7	0.91	1.23	1.55	2.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment		889	1,133
Right-of-use assets		1,223	2,587
Club membership		266	266
		2,378	3,986
Current Assets			
Inventories		136,990	140,771
Trade and other receivables	8	130,960	131,884
Debt instruments at fair value through other comprehensive income	9	23,488	25,283
Taxation recoverable		–	4,309
Fixed bank deposit		15,000	15,000
Bank balances and cash		95,877	91,896
		402,315	409,143
Current Liabilities			
Trade and other payables	10	244,057	148,770
Contract liabilities	11	11,296	13,608
Lease liabilities		1,399	2,640
Amount due to a related party	13	456	333
Taxation payable		177	91
Bank borrowings		107,454	220,428
		364,839	385,870
Net Current Assets			
		37,476	23,273
Total assets less current liabilities			
		39,854	27,259
Non-current Liability			
Lease liabilities		43	56
		39,811	27,203
Capital and Reserves			
Share capital	12	6,528	6,528
Reserves		33,283	20,675
Total Equity			
		39,811	27,203

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Shareholder's contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2023	6,528	54,329	25,000	(1,462)	448	(57,640)	27,203
Profit for the period	-	-	-	-	-	10,117	10,117
Exchange differences arising on translation of foreign operations: - subsidiaries	-	-	-	2,491	-	-	2,491
Total comprehensive income for the period	-	-	-	2,491	-	10,117	12,608
At 30 June 2023	6,528	54,329	25,000	1,029	448	(47,523)	39,811
At 1 January 2022	6,528	54,329	25,000	6,275	448	10,905	103,485
Profit for the period	-	-	-	-	-	13,090	13,090
Total comprehensive income for the period	-	-	-	-	-	13,090	13,090
At 30 June 2022	6,528	54,329	25,000	6,275	448	23,995	116,575

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash from operating activities	119,375	51,391
Net cash from investing activities	319	353
Net cash (used in) from financing activities	(118,442)	(50,006)
Net increase in cash and cash equivalents	1,252	1,738
Cash and cash equivalents at beginning of the period	91,896	113,864
Effect of foreign exchange rate changes	2,729	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	95,877	115,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2023, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the six months ended 30 June 2023 are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

Adoption of new or amended HKFRSs

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

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Disclosure of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. REVENUE

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

	Revenue by geographical market			
	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The PRC	141,015	395,893	366,911	746,326
Hong Kong	179,250	125,268	254,582	231,461
Taiwan	15,733	18,022	25,917	33,507
Others	153	5,024	1,021	5,751
	336,151	544,207	648,431	1,017,045

No customer individually contributed over 10% of the Group's revenue for the six months ended 30 June 2023.

4. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	–	69	–	69
PRC Enterprise Income Tax ("EIT")	5	45	5	45
	5	114	5	114

Hong Kong Profit Tax

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

PRC Enterprise Income Tax

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

5. DIVIDEND PAID

No dividend was paid or declared for the financial year ended 31 December 2022.

6. PROFIT FOR THE PERIOD

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):				
Director's remuneration	–	300	300	300
Staff costs:				
Salaries and other allowances	1,414	1,462	2,759	3,032
Retirement benefit scheme contributions	635	732	1,316	1,498
Total staff costs	2,049	2,194	4,075	4,530
Auditor's remuneration	228	230	446	442
Bank interest income	(329)	(151)	(606)	(396)
Net exchange loss	1,227	1,633	1,057	1,688
Cost of inventories recognized as an expense	339,941	510,137	635,253	962,122
(Reversal of) allowance for inventories	(3,415)	(17,816)	(29,739)	(44,178)
Impairment loss under expected credit loss model, net of (reversal)/provision – trade receivables	(977)	511	(699)	855
Depreciation of property, plant and equipment	340	207	408	412
Depreciation of right-of-use assets	525	2,169	1,216	2,865
Government grants	–	240	–	240
Operating lease rental in respect of office and warehouses paid/payable to – third parties	600	790	1,376	1,579
– substantial shareholder and its subsidiaries	743	746	1,481	1,493

7. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company, for the purpose of basic earnings per share	5,935	8,052	10,117	13,090
	For the three months ended 30 June		For the six months ended 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)	2023 '000 (Unaudited)	2022 '000 (Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of basic earnings per share	652,770	652,770	652,770	652,770

8. TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	131,957	117,006
Other receivable, deposits and prepayments	650	17,224
Total trade and other receivables	132,607	134,230
Less: allowance for expected credit losses	(1,647)	(2,346)
Net trade and other receivables	130,960	131,884
Less: receivables within twelve months shown under current assets	(130,960)	(131,884)
Rental deposits shown under non-current assets	–	–

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers.

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
1–30 days	84,222	81,721
31–60 days	29,396	21,181
61–90 days	15,172	10,152
91–120 days	3,167	1,716
121–365 days	–	2,236
	131,957	117,006

9. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables held for collecting contractual cash flows or factoring to bank	23,488	25,283

10. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	242,860	131,614
Other payables and accruals	1,197	17,156
Total trade and other payables	244,057	148,770

The credit period on trade payables ranged from 30 days to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
1–30 days	102,009	88,473
31–60 days	106,958	32,027
61–90 days	28,370	6,149
91–120 days	996	220
121–365 days	17	235
Over 1 year	4,510	4,510
	242,860	131,614

11. CONTRACT LIABILITIES

The contract liabilities mainly related to the advance considerations received from customers. As at 30 June 2023, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK\$11,296,000 (2022: HK\$13,608,000).

12. SHARE CAPITAL

	30 June 2023	
	Number of ordinary shares '000	Amount HK\$'000 (Unaudited)
Authorised: Ordinary shares of HK\$0.01 each	2,000,000	20,000
Issued and fully paid: Ordinary shares of HK\$0.01 each At beginning of the period	652,770	6,528
At 30 June 2023 (unaudited)	652,770	6,528

13. AMOUNTS DUE TO A RELATED PARTY

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Amount due to a related party (<i>note</i>)	456	333

Note:

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

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Not past due	456	333

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (Six months ended 30 June 2022: HK1 cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit (“**IC**”) and panels) for consumer electronic products such as mobile internet devices (“**MID**”), electronic learning aids (“**ELA**”), multi-media player (car infotainment system), smartphone panel modules, set-top boxes (“**STB**”), and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

The revenue in the first half of 2023 decreased compared with the corresponding period of last year, while gross profit margin has returned to a normal level after the completion of the destocking of high cost inventories in 2022.

After the easing of physical restrictions in Mainland China at the end of March, the economy did not experience the significant rebound as expected. Our sales of Innolux panel solutions decreased compared with same period last year as the domestic demand of TFT LCD screens was still weak.

The semiconductor business, however, rebounded slightly. With the demand of chips for smart home, audio-visual players and imaging products entering the traditional peak season, the sales increased compared with the same period of last year and is expected to continue into the third quarter.

However, the set-top box chips business was negatively affected by high inflation in the Middle East and South America markets.

OUTLOOK

Facing the current economic situation, the Mainland China’s government has announced certain policies to stimulate the economy. The focus of the Company’s sales in the second half of the year is adjusted to in line with the business development of customers in the types of industries supported by national policies. We will launch various MCU solutions for the product industries supported by national policies, new energy vehicles and other green energy products. In terms of new products, we will try to promote the new electronic paper applications and also provide our target customers with competitive IC solutions for various Metaverse hardware applications. Under multiple strategic adjustments, the Company is confident that it will be able to cope with the challenges and pursue a healthy and sustainable business growth in the future.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group achieved sales revenue of HK\$648,431,000, decreased by 36.2% from HK\$1,017,045,000 recorded in the corresponding period of 2022.

Gross Profit

For the six months ended 30 June 2023, the Group's gross profit was HK\$31,728,000, decreased 12.8% from HK\$36,373,000 recorded in the corresponding period of 2022. Gross profit margin was 4.89%, increased from 3.58% recorded in the corresponding period of 2022.

Distribution Costs and Administrative Expenses

For the six months ended 30 June 2023, the Group's operating costs (distribution cost and administrative expenses) was HK\$17,709,000, decreased by 5.2% from HK\$18,672,000 recorded in the corresponding period in 2022. The decrease in operating costs was primarily attributable to stringent cost control measures being implemented.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2023, the profit attributable to owners of the Company was HK\$10,117,000, decreased by 22.7% as compared with HK\$13,090,000 recorded in the corresponding period of 2022.

Liquidity and Financial Resources

As at 30 June 2023, the Group's current ratio was 110% (31 December 2022: 106%). The Group's principal sources of funds are used to finance working capital and the growth and expansion of the Group's operations. The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 30 June 2023, the Group was in net cash position (while the Group recorded net debt of HK\$113,532,000 as at 31 December 2022) and maintained sufficient working capital with bank balances and cash of HK\$110,877,000 (31 December 2022: HK\$106,896,000) and bank borrowings of HK\$107,454,000 (31 December 2022: HK\$220,428,000). The Group's total equity of approximately HK\$39,811,000 (31 December 2022: HK\$27,203,000).

The Group recorded debtors turnover of 35 days for the period under review (2022: 26 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective period, multiplied by 181 days (2022: 181 days).

The Group recorded inventory turnover and average payable period of 41 days and 55 days respectively for the period under review (2022: 65 days and 46 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 30 June 2023, divided by cost of sales for the respective period and multiplied by 181 days (2022: 181 days).

CAPITAL STRUCTURE

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

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

CHARGE ON ASSETS

As at 30 June 2023, the Group's factored trade receivables with the carrying value of approximately HK\$6.6 million (2022: HK\$8.6 million) were pledged to a bank to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENTS

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: Nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2023, the Group did not hold any significant investment in equity interest in any other company and there were no material acquisitions and disposals of subsidiaries by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 June 2023.

INFORMATION ON EMPLOYEES

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. As at 30 June 2023, the employee headcount of the Group was approximately 80 (31 December 2022: 80).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2023, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in shares

Ordinary shares of HK\$0.01 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> ("Dr. Yim") (Note 1)	Beneficial owner and interest in controlled corporation	267,545,861 (Note 2)	40.99
Chang Wei Hua (Note 3)	Beneficial owner and interest in controlled corporation	76,847,000	11.77
Wei Wei (Note 4)	Beneficial owner and interest in controlled corporation	76,847,000	11.77
Wong Wai Tai	Beneficial owner	3,300,000	0.51
Tong Sze Chung	Beneficial owner	600,144	0.09
Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.09
Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.09

Notes:

- Dr. Yim beneficially owns 43,122,861 shares and is the controlling shareholder of S.A.S. Dragon; he is therefore under the SFO deemed to be interested in 224,423,000 shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of S.A.S. Dragon.
- On 8 June 2023, the Company announced, among other things, the proposed Rights Issue. The Company received undertakings from Dr. Yim and S.A.S. Investment, pursuant to which, Dr. Yim and S.A.S. Investment had irrevocably undertaken to the Company that among others, Dr. Yim would accept in full the 43,122,861 right shares and S.A.S. Investment would accept in full the 224,423,000 right shares (the "Right Shares") proposed to be provisionally allotted to them at the subscription price of HK\$0.12 per Right Share subject to the terms and conditions under their undertakings. As at 30 June 2023, the proposed Rights Issue were not yet completed.
- 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.
- Mr. Wei Wei beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

SHARE OPTIONS

Share option scheme of the Company

The share option scheme was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company on 23 December 2015, which became effective on the Listing Date. A summary of the principal terms of the share option scheme is set out in Appendix IV to the prospectus of the Company dated 31 December 2015.

No option was granted by the Company under the share option scheme during the period.

As at the date of this report, save as otherwise approved by shareholders of the Company, the maximum number of shares available for issue under options which may be granted is 60,000,000, representing approximately 9.2% of the number of issued shares of the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed above, at no time during the six months ended 30 June 2023 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

At 30 June 2023, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares

Ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
S.A.S. Dragon	Interest in controlled corporation	224,423,000	34.38
S.A.S. Investment	Beneficial owner	224,423,000	34.38

Note: S.A.S. Dragon deemed to be interested in the 224,423,000 shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon.

USE OF PROCEEDS

On 7 January 2016, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$30 million.

The change of use of the net proceeds was approved by the Board of Directors of the Company on 15 March 2018 and further change in use of proceeds was approved by the Board of Directors of the Company on 28 December 2021.

Set out below are the revised use of proceeds.

Uses	Original allocation as stated in the Prospectus (HK\$ million)	Revised allocation as disclosed in 2017 Annual Report (HK\$ million)	Actual use of proceeds as at 31 December 2021 (HK\$ million)	Further revised allocation of unutilized net proceeds as at 31 December 2021 (HK\$ million)	Balance as at 30 June 2023 (HK\$ million)	Expected timeline of full utilization of the balance
Upgrading the Group's ERP system	4.6	4.6	0.6	-	4.0	By end of 2024
Expanding the Group's ELA business by engaging in:						
– Research and development staff expenses	2.5	2.5	2.5	-	-	N/A
– Equipment purchases	8.7	8.7	1.2	(7.5)	-	N/A
	11.2	11.2	3.7	(7.5)	-	
Expanding the Group's product range by engaging in:						
– Car infotainment	2.8	2.8	2.8	-	-	N/A
– Drones Wi-Fi Transmission	2.8	2.8	2.8	-	-	N/A
– Artificial Intelligence and Internet-of-Things	-	5.6	5.6	-	-	N/A
– Development of Metaverse hardware	-	-	-	7.5	7.5	By end of 2024
– Others	5.6	-	-	-	-	N/A
	11.2	11.2	11.2	-	7.5	
General working capital	3.0	3.0	3.0	-	-	N/A
Total	30.0	30.0	18.5	-	11.5	

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") through the six months ended 30 June 2023, except for the following deviation:

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

RELATIONSHIP BETWEEN BOARD MEMBERS

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the unaudited consolidated financial statements for the six months ended 30 June 2023.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

On 8 June 2023, the Board proposed to implement a rights issue on the basis of one (1) right share for every one (1) existing share held on the record date on 4 August 2023 (the “**Record Date**”) at the subscription price of HK\$0.12 per rights share (the “**Rights Issue**”), to raise up to approximately HK\$78.3 million before expenses by issuing up to 652,770,000 new shares.

On 8 June 2023 (after trading hours), the Company entered into the placing agreement (the “**Placing Agreement**”) with Sunny Fortune Capital Limited (the “**Placing Agent**”), pursuant to which the Placing Agent has conditionally agreed to procure placees, on a best effort basis, to subscribe for the unsubscribed rights shares and the rights shares which would otherwise have been provisionally allotted to Non-Qualifying Shareholders(s) in nil-paid form that has/have not been sold by the Company on the terms and subject of the conditions set out in the Placing Agreement (the “**Placing**”).

Pursuant to an extraordinary general meeting on 25 July 2023, the proposed Rights Issue and Placing have been duly passed by the independent shareholders by way of poll. As at the date of this report, the proposed Rights Issue and Placing were not yet completed.

For details, please refer to the announcements of the Company dated 8 June 2023, 29 June 2023, 25 July 2023, the circular of the Company dated 3 July 2023 and the prospectus of the Company dated 7 August 2023.

APPRECIATION

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

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

Hong Kong, 9 August 2023

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

This report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting. This report will also be posted on the Company’s website at www.hi-levelhk.com.