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Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Hi-Level Technology Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

	2021	2020	Change
Revenue (HK\$ thousand)	2,847,359	2,254,195	26.3%
(Loss)/profit attributable to owners of the Company (HK\$ thousand)	(46,954)	32,127	-246.2%
Basic (loss)/earnings per share (HK cents)	(7.19)	4.92	-246.1%
Dividend per share (HK cents)			
– Final proposed	–	2.5	
– Interim paid	1.0	–	
Total	1.0	2.5	-60.0%

The board of Directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with last year’s comparative figures are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	3	2,847,359	2,254,195
Cost of sales		(2,853,299)	(2,172,604)
Gross (loss)/profit		(5,940)	81,591
Other income		1,004	1,831
Other (loss)/gain		(737)	233
Impairment losses under expected credit loss model, net of reversal/(provision)		1,743	(3,545)
Distribution costs		(15,679)	(13,381)
Administrative expenses		(24,200)	(24,614)
Finance costs		(2,841)	(3,283)
(Loss)/profit before taxation	5	(46,650)	38,832
Income tax expense	4	(304)	(6,705)
(Loss)/profit for the year		(46,954)	32,127
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
– subsidiaries		4,567	5,203
Other comprehensive income for the year		4,567	5,203
Total comprehensive income for the year		(42,387)	37,330
(Loss)/earnings per share (HK cents)	7		
– basic		(7.19)	4.92
– diluted		(7.19)	4.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Non-current Assets			
Property, plant and equipment		1,826	1,806
Right-of-use assets		6,249	8,331
Club membership		266	266
Rental deposit	8	790	777
		9,131	11,180
Current Assets			
Inventories		477,692	239,680
Trade and other receivables	8	143,925	165,558
Debt instruments at fair value through other comprehensive income		6,342	1,477
Taxation recoverable		3,227	—
Bank balances and cash		113,864	140,961
		745,050	547,676
Current Liabilities			
Trade and other payables	9	327,175	310,335
Contract liabilities		14,519	10,279
Lease liabilities		3,471	2,731
Amount due to a related party		132	91
Taxation payable		155	6,429
Bank borrowings		302,343	54,667
		647,795	384,532
Net Current Assets		97,255	163,144
Total Assets less Current Liabilities		106,386	174,324
Non-current Liability			
Lease liabilities		2,901	5,605
Net Assets		103,485	168,719
Capital and Reserves			
Share capital	10	6,528	6,528
Reserves		96,957	162,191
TOTAL EQUITY		103,485	168,719

NOTES

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 GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing (the “**Placing**”) on 7 January 2016 (the “**Listing**”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company acts as an investment holding company. The Group is principally engaged in the sales of electronic products with the provision of independent design house services.

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

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

a) Adoption of new or amended HKFRSs

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendment to HKFRS 16 – Covid-19-Related Rent Concessions
- Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021

Other than the amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by Risk Free Rates (“RFRs”) during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2021 HK\$'000	2020 HK\$'000
Type of goods or services		
Sales of electronic products with the provision of independent design house services	<u>2,847,359</u>	<u>2,254,195</u>
Geographical markets		
The PRC	1,895,346	1,343,202
Hong Kong	833,312	841,242
Taiwan	101,432	61,347
Korea	8,844	4,846
Others	<u>8,425</u>	<u>3,558</u>
Total	<u>2,847,359</u>	<u>2,254,195</u>
Timing of revenue recognition		
A point in time	<u>2,847,359</u>	<u>2,254,195</u>

(ii) *Performance obligations for contracts with customers*

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

The Group sells electronic products with the provision of design house services directly to customers. Revenue is recognised when independent control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). The normal credit term is 30 to 90 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for defective products within one month. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

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

Segment information

The executive directors of the Company have determined that the Group has only one operating and reportable segment throughout both years.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

(i) *Geographical information*

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

	2021	2020
	HK\$'000	HK\$'000
The PRC	6,769	9,887
Hong Kong	1,572	516
	8,341	10,403

(ii) *Information about major customers*

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

Revenue from one customer of the Group amounted to HK\$334,255,000 contributed over 10% of the Group's revenue for the year ended 31 December 2020.

4. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong Profits Tax	217	6,889
PRC Enterprise Income Tax ("EIT")	<u>31</u>	<u>22</u>
	<u>248</u>	<u>6,911</u>
Under/(over) provision in prior years:		
Hong Kong Profits Tax	54	(64)
PRC EIT	<u>2</u>	<u>(142)</u>
	<u>56</u>	<u>(206)</u>
Income tax expense	<u>304</u>	<u>6,705</u>

Hong Kong Profit Tax

The Hong Kong Profits Tax is calculated at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 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% for the years ended 31 December 2021 and 2020, except for the entity qualified as "Small Low-profit Enterprise" for which preferential tax treatments are granted under the EIT Law:

- Hi-Level (Shanghai) Technology Limited was qualified as a Small Low-profit Enterprise and enjoyed a preferential tax rate of 20% for the years ended 31 December 2021 and 2020. In addition, in accordance with the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, the subsidiary was also entitled to a 20% tax concession on 25% of its assessable profits for the years ended 31 December 2021 and 2020.

The income tax expense for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(46,650)	38,832
Tax at Hong Kong Profits Tax rate of 16.5%	(7,697)	6,407
Tax effect of expenses not deductible for tax purpose	430	766
Tax effect of income not taxable for tax purpose	(563)	(314)
Tax effect of temporary differences not recognised	2	205
Utilisation of tax losses previously not recognised	(154)	(58)
Tax effect of tax losses not recognised	8,271	289
Effect of different tax rates of subsidiaries operating in other jurisdictions	(41)	(384)
Under/(over) provision in prior years	56	(206)
Income tax expense for the year	304	6,705

As at 31 December 2021, the Group has unused tax losses of approximately HK\$53,646,000 (2020: HK\$3,584,000) that are available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. All the tax losses may be carried forward indefinitely except for those amounting to HK\$2,692,000 (2020: HK\$2,030,000) arising from the PRC which may be carried forward for five years.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB1,134,000 (equivalent to HK\$1,350,000) (2020: RMB182,000 (equivalent to HK\$215,000)) that is subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary in Mainland China for which deferred tax liabilities have not been recognised.

5. (LOSS)/PROFIT BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration	4,711	4,108
Staff costs:		
Salaries and other allowances	18,119	23,410
Retirement benefit scheme contributions	2,724	843
	20,843	24,253
Total staff costs	25,554	28,361
Auditor's remuneration	867	864
Bank interest income	(766)	(759)
Net exchange (gain)/loss	(594)	233
Short-term leases expenses	501	1,192
Cost of inventories recognised as an expense	2,548,786	1,927,970
Provision for/(reversal of) allowance for inventories	64,567	(2,677)
– General provision/(reversal)	3,189	(2,677)
– Specific provision	61,378	–
Impairment loss under expected credit loss model, net of (reversal)/provision – Trade receivables	(1,743)	3,545
Depreciation of property, plant and equipment	745	709
Depreciation of right-of-use assets	5,365	3,266
Gain on termination of lease	–	(6)
Government grants	–	(977)

6. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim of HK\$0.01 (2020: HK\$ nil) per share was declared and paid	6,528	–
2020 Final of HK\$0.025 (2020: 2019 Final of HK\$0.01) per share was declared and paid	<u>16,319</u>	<u>6,528</u>
	<u><u>22,847</u></u>	<u><u>6,528</u></u>

Note: Subsequent to the end of the reporting period and on the date of this announcement, no final dividend in respect of the year ended 31 December 2021 (2020: final dividend of HK\$0.025 per share in respect of the year ended 31 December 2020), in aggregate amount of HK\$ nil (2020: HK\$16,319,000) has been proposed by the directors of the Company.

7. (LOSS)/EARNINGS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year for the purpose of basic (loss)/earnings per share	<u>(46,954)</u>	<u>32,127</u>
	2021 No. of shares '000	2020 No. of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	<u>652,770</u>	<u>652,770</u>

There were no potential ordinary shares in issue for the years ended 31 December 2021 and 2020. Accordingly, the diluted loss/earnings per share presented is the same as the basic loss/earnings per share.

8. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	132,197	146,126
Other receivables, deposits and prepayments	14,497	23,929
	<hr/>	<hr/>
Total trade and other receivables	146,694	170,055
Less: allowance for expected credit losses	(1,979)	(3,720)
	<hr/>	<hr/>
Net trade and other receivables	144,715	166,335
Less: receivables within twelve months shown under current assets	(143,925)	(165,558)
	<hr/>	<hr/>
Rental deposit shown under non-current assets	790	777
	<hr/>	<hr/>

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

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

	2021 HK\$'000	2020 HK\$'000
1 – 30 days	108,348	96,052
31 – 60 days	22,010	35,137
61 – 90 days	1,608	14,715
91 – 180 days	131	207
181 – 365 days	100	15
	<hr/>	<hr/>
	132,197	146,126
	<hr/>	<hr/>

9. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	308,790	295,407
Other payables and accruals	18,385	14,928
Total trade and other payables	<u>327,175</u>	<u>310,335</u>

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

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

	2021 HK\$'000	2020 HK\$'000
1 – 30 days	141,805	207,592
31 – 60 days	154,955	83,570
61 – 90 days	11,688	3,875
91 – 120 days	–	–
121 – 365 days	–	5
Over 1 year	342	365
	<u>308,790</u>	<u>295,407</u>

10. SHARE CAPITAL

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

	No. of ordinary shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>652,770</u>	<u>6,528</u>

DIVIDEND

The Board does not recommend the payment of final dividend (2020: final dividend of HK2.5 cents per share) for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 May 2022 to 20 May 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 13 May 2022. The record date for the attending and voting at the AGM is 13 May 2022.

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.

At the beginning of 2021, we put more resources on promotion of panels and panel modules to our MID, ELA and smartphone customers. However, as a result of China's control measures on private tutoring and online gaming since the third quarter of 2021, certain customers delayed their panel procurements, in order to reduce the Group's inventory level, the Group recorded loss making shipments in the fourth quarter of 2021. Also, we made impairment loss of the Group's closing inventory as of 31 December 2021. It negatively affected the Group's performance in 2021.

MID

MID segment comprises of tablet and smart home speaker products delivered the largest revenue of the Group. The Group had been affected by tight supply of driver ICs, which was likely to cripple the supply chain, leading to the rapid decrease in the price of tablet. As the sales of MID segment was weak and the price of tablet continued to fall in the fourth quarter of 2021, the Group recorded loss making shipments in the fourth quarter of 2021 in order to reduce the Group's inventory level.

Smartphone Panel Module

Affected by the rebound of the COVID-19 pandemic in the countries of Africa, South America and India as well as some countries boycotting smartphones made by Chinese brand manufacturers since third quarter of 2021, certain smartphone manufacturers slowed down production. The demand for TFT LCD screens was not satisfactory.

Car Infotainment System

The demand of our car infotainment system dropped because of shortage of automotive chips resulting in their supply constraints. The sales of car infotainment system showed a slight decrease as compared with last year.

STB

The Group's main sales market of STB solutions is in Middle East, South America and North Africa. The Group recorded satisfactory sales of our IC solutions of STB customers compared with last year because of prolonged working from home due to the impact of the COVID-19 pandemic.

Video Image Device

The demand of hunting cam and sports cameras gained momentum in the second half of 2021 due to the easing of the COVID-19 control measures in Europe and US. Our sale of video image device solutions increased as compared to 2020.

ELA

In the third quarter of 2021, certain our customers chose to delay ELA panel procurements as a result of China's new control measures on private tutoring. The sales of ELA panel solutions decreased as compared with 2020.

OUTLOOK

Looking ahead, under the uncertain global business environment as well as geopolitical instability, the Group believes that 2022 will be full of challenges. The Group will implement a balance strategy of business development and will increase the proportion of sales of IC solutions with IDH services. We will actively develop new IC solutions to our target customers by working with new and existing suppliers.

The Group will grasp the growing opportunities in the Metaverse. The Group believes that the platform of Metaverse will become mature and commercialized within the next few years. The Group will also provide our target customers with efficient IC solutions for various Metaverse hardware applications.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group achieved sales revenue of HK\$2,847,359,000, increased by 26.3% from HK\$2,254,195,000 as recorded in 2020.

Gross Loss

For the year ended 31 December 2021, gross loss was HK\$5,940,000, decreased by 107.3% from gross profit of HK\$81,591,000 as recorded last year. Gross loss margin was 0.2%, decreased from gross profit margin of 3.6% as recorded in 2020.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2021, the Group's operating costs were HK\$39,879,000 (2020: HK\$37,995,000), representing an increase of 5.0%, compared to the corresponding period in 2020.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the year ended 31 December 2021 was HK\$46,954,000, decreased by 246.2%, as compared to profit attributable of HK\$32,127,000 as recorded in 2020.

Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As of 31 December 2021, the Group's current ratio was 115.0% (31 December 2020: 140.4%). As of 31 December 2021, the Group had bank balances and cash of HK\$113,864,000 (31 December 2020: HK\$140,961,000) and bank borrowings of HK\$302,343,000 (31 December 2020: HK\$54,667,000). As of 31 December 2021, the Group's net gearing ratio was 182.1% (31 December 2020: net cash position), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$188,479,000 (31 December 2020: N.A.) and Group's total equity of approximately HK\$103,485,000 (31 December 2020: HK\$168,719,000).

The Group recorded debtors turnover of approximately 18 days for the year under review (2020: 23 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective year, multiplied by 365 days.

The Group recorded inventory turnover and payable turnover of 46 days and 39 days respectively for the year under review (2020: approximately 41 days and 45 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2021, divided by cost of sales for the respective year and multiplied by 365 days.

Foreign Exchange Risk Management

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

Employee and Remuneration Policy

As 31 December 2021, the Group employed approximately 100 employees in the Greater China region. We ensure that their remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses.

Other than medical insurance and provident fund schemes, we also offer share options to our key employees as a long-term incentive who are identified as essential to our Group's operations and future development.

USE OF PROCEEDS FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

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

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

As at the date of the 31 December 2021, the Company had utilized approximately HK\$18.5 million of the Net Proceeds, representing approximately 61.7% of the Net Proceeds. The unutilized Net Proceeds amount to approximately HK\$11.5 million, representing approximately 38.3% of the Net Proceeds. After due and careful consideration on the current business environment and development needs of the Group, the Board has resolved to further change the use of part of the Unutilised Net Proceeds by further reallocating HK\$7.5 million originally allocated for expanding the Group's ELA business by engaging in equipment purchases to the development and utilisation of Metaverse. Set out below are the revised use of proceeds. Moreover, there has been changed to the expected timeline of full utilisation of the balance.

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

Uses	Original allocation as stated in the Prospectus (HK\$ million)	Revised allocation as disclosed in 2017 Annual Report (HK\$ million)	Actual use of proceeds as at 31 December 2021 (HK\$ million)	Unutilised as at 31 December 2021 (HK\$ million)	Further revised allocation of Unutilised Net Proceeds (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	(7.5)	N/A
	11.2	11.2	3.7	7.5	(7.5)	
Expanding the Group's product change by engaging in:						
– Car infotainment	2.8	2.8	2.8	–	–	N/A
– Drones Wi-Fi Transmission	2.8	2.8	2.8	–	–	N/A
– Artificial Intelligence and Internet-of-Things	–	5.6	5.6	–	–	N/A
– Development of Metaverse hardware	–	–	–	–	7.5	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 LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Board established the audit committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the Corporate Governance Code (the “**CG Code**”).

The audit committee comprises three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement, and Mr. Tsoi Chi Ho, Peter. Mr. Shea Chun Lok, Quadrant is the chairman of the audit committee.

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the “**CG Code**”) for the year ended 31 December 2021, except for the following deviations:

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

RELATIONSHIP BETWEEN BOARD MEMBERS

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hi-levelhk.com) and the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The 2021 annual report will be dispatched to the shareholders of the Company and published on the above websites in due course.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

APPRECIATION

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

Finally, I wish you all stay healthy.

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

Hong Kong, 18 March 2022

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