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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 2023

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

	2023	2022	Change
Revenue (HK\$ thousand)	1,202,816	1,732,213	-30.6%
Profit/(loss) attributable to owners of the Company (HK\$ thousand)	3,942	(68,545)	N/A
		(Restated)	
Basic profit/(loss) per share (HK cents)	0.50	(9.83)	N/A

The board of Directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 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 2023

	<i>Notes</i>	2023 HK\$’000	2022 HK\$’000
Revenue	3	1,202,816	1,732,213
Cost of sales		<u>(1,158,618)</u>	<u>(1,755,766)</u>
Gross profit/(loss)		44,198	(23,553)
Other income		2,655	2,145
Other loss		(309)	(1,378)
Impairment losses under expected credit loss model, net of reversal/(provision)		116	(387)
Distribution costs		(10,553)	(14,583)
Administrative expenses		(23,842)	(22,916)
Finance costs		<u>(8,285)</u>	<u>(7,730)</u>
Profit/(loss) before taxation	5	3,980	(68,402)
Income tax expense	4	<u>(38)</u>	<u>(143)</u>
Profit/(loss) for the year		<u>3,942</u>	<u>(68,545)</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
– subsidiaries		<u>1,394</u>	<u>(7,737)</u>
Other comprehensive income for the year		<u>1,394</u>	<u>(7,737)</u>
Total comprehensive income for the year		<u>5,336</u>	<u>(76,282)</u>
			(Restated)
Profit/(loss) per share (HK cents)	6		
– basic		<u>0.50</u>	<u>(9.83)</u>
– diluted		<u>0.50</u>	<u>(9.83)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current Assets			
Property, plant and equipment		585	1,133
Right-of-use assets		–	2,587
Club membership		266	266
		<u>851</u>	<u>3,986</u>
Current Assets			
Inventories		109,580	140,771
Trade and other receivables	7	118,298	131,884
Debt instruments at fair value through other comprehensive income		11,048	25,283
Taxation recoverable		72	4,309
Fixed bank deposits		29,040	15,000
Bank balances and cash		47,191	91,896
		<u>315,229</u>	<u>409,143</u>
Current Liabilities			
Trade and other payables	8	122,524	148,770
Contract liabilities		6,062	13,608
Lease liabilities		–	2,640
Amount due to a related party		609	333
Taxation payable		85	91
Bank borrowings		117,518	220,428
		<u>246,798</u>	<u>385,870</u>
Net Current Assets		<u>68,431</u>	<u>23,273</u>
Total Assets less Current Liabilities		<u>69,282</u>	<u>27,259</u>
Non-current Liability			
Lease liabilities		–	56
Net Assets		<u>69,282</u>	<u>27,203</u>
Capital and Reserves			
Share capital	9	9,691	6,528
Reserves		59,591	20,675
TOTAL EQUITY		<u>69,282</u>	<u>27,203</u>

NOTES

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies ACT, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing (the “**Placing**”) on 7 January 2016 (the “**Listing**”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

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

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

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

(a) Adoption of new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) – from 1 January 2023

The Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) has issued a new and several amended HKFRSs that are 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	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as stated below, none of these amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Impacts on application of HKFRS 17 – Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including warranty contracts issued by the Group, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “Significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

(b) Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16 Amendments to HKAS 1	Lease Liability in a Sale and Leaseback ¹ Classification of Liabilities as Current or Non-current (the “2020 Amendments”) ^{1,4}
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”) ^{1,4}
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2023 HK\$'000	2022 HK\$'000
Type of goods or services		
Sales of electronic products with the provision of independent design house services	<u>1,202,816</u>	<u>1,732,213</u>
Geographical markets		
The PRC	712,816	1,194,530
Hong Kong	452,779	439,006
Taiwan	35,662	91,957
Korea	–	3,961
Others	<u>1,559</u>	<u>2,759</u>
Total	<u>1,202,816</u>	<u>1,732,213</u>
Timing of revenue recognition		
A point in time	<u>1,202,816</u>	<u>1,732,213</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 transportation services are a fulfilment of the performance obligation. The normal credit term is 30 to 90 days upon delivery.

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

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

Segment information

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

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

(i) *Geographical information*

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

	2023	2022
	HK\$'000	HK\$'000
The PRC	303	3,004
Hong Kong	548	982
	<u>851</u>	<u>3,986</u>

(ii) *Information about major customers*

No customer individually contributed over 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

4. INCOME TAX EXPENSE

	2023	2022
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	33	140
PRC Enterprise Income Tax ("EIT")	7	44
	<u>40</u>	<u>184</u>
Under/(over) provision in prior years:		
Hong Kong Profits Tax	(6)	(66)
PRC EIT	4	25
	<u>(2)</u>	<u>(41)</u>
Income tax expense	<u>38</u>	<u>143</u>

5. PROFIT/(LOSS) BEFORE TAXATION

	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Directors' remuneration	<u>1,924</u>	<u>2,112</u>
Staff costs:		
Salaries and other allowances	14,739	15,405
Retirement benefit scheme contributions	<u>2,226</u>	<u>2,658</u>
	<u>16,965</u>	<u>18,063</u>
Total staff costs	<u>18,889</u>	<u>20,175</u>
Auditor's remuneration	872	867
Interest income	(1,354)	(948)
Net exchange loss	164	1,378
Short-term leases expenses	2,179	209
Cost of inventories recognised as an expense	1,158,524	1,755,486
Provision for allowance for inventories	5,018	40,954
– General provision	5,018	21,184
– Specific provision	–	19,770
Impairment loss under expected credit loss model, net of (reversal)/provision – Trade receivables	(116)	387
Depreciation of property, plant and equipment	616	815
Depreciation of right-of-use assets	1,769	5,640
Gain on termination of leases	(53)	–
Loss on written off property, plant and equipment	526	–
Government grants	–	360

6. PROFIT/(LOSS) PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) for the year for the purpose of basic profit/(loss) per share	<u>3,942</u>	<u>(68,545)</u>
	2023 No. of shares '000	2022 No. of shares '000 (Restated)
Number of shares: Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<u>789,538</u>	<u>697,158</u>

The weighted average number of ordinary shares for the purpose of basic profit/(loss) per share for current and prior reporting periods has been adjusted to reflect the effect of rights issue completed on 30 August 2023.

There were no potential ordinary shares in issue for the years ended 31 December 2023 and 2022. Accordingly, the diluted profit/(loss) per share presented is the same as the basic profit/(loss) per share.

7. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables (<i>Note a</i>)	104,050	117,006
Other receivables, deposits and prepayments (<i>Note b</i>)	<u>16,478</u>	<u>17,224</u>
Total trade and other receivables	120,528	134,230
Less: allowance for expected credit losses	<u>(2,230)</u>	<u>(2,346)</u>
Net trade and other receivables	<u>118,298</u>	<u>131,884</u>

Notes:

(a) Trade receivables

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

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

	2023	2022
	HK\$'000	HK\$'000
1 – 30 days	61,700	81,721
31 – 60 days	31,127	21,181
61 – 90 days	7,086	10,152
91 – 180 days	3,723	1,716
181 – 365 days	–	2,236
Over 365 days	414	–
	<u>104,050</u>	<u>117,006</u>

(b) Other receivables, deposits and prepayments

	2023	2022
	HK\$'000	HK\$'000
Prepayments	663	332
Deposit	1,478	1,273
Other receivables	14,337	15,619
	<u>16,478</u>	<u>17,224</u>

8. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	114,666	131,614
Other payables and accruals	7,858	17,156
	<u>114,666</u>	<u>131,614</u>
Total trade and other payables	<u>122,524</u>	<u>148,770</u>

Notes:

(a) Trade payables

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

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

	2023 HK\$'000	2022 HK\$'000
1 – 30 days	76,767	88,473
31 – 60 days	33,418	32,027
61 – 90 days	4,476	6,149
91 – 120 days	–	220
121 – 365 days	–	235
Over 365 days	5	4,510
	<u>114,666</u>	<u>131,614</u>

(b) Other payables and accruals

	2023 HK\$'000	2022 HK\$'000
Accrued expenses	3,181	4,901
Other payables	3,073	9,720
Temporary receipt	803	411
PRC tax payables	801	2,124
	<u>7,858</u>	<u>17,156</u>

9. SHARE CAPITAL

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

	No. of ordinary shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, and 1 January 2023	652,770	6,528
Issue of new shares upon rights issue	<u>316,312</u>	<u>3,163</u>
As at 31 December 2023	<u><u>969,082</u></u>	<u><u>9,691</u></u>

On 8 June 2023, the Company announced a proposed rights issue on the basis of one right share for every one existing share in issue at a subscription price of HK\$0.12 per rights share (the “**Rights Issue**”). On 30 August 2023, the Company allotted and issued 316,312,000 ordinary shares of HK\$0.12 each by way of rights issue and the number of issued share capital of the Company was increased to 969,082,000. The net proceeds from the Rights Issue were approximately HK\$36,743,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 May 2024 to 22 May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 14 May 2024. The record date for the attending and voting at the AGM is 22 May 2024.

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**”), network communication system (“**NCS**”), 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.

Revenue for the whole year of 2023 has declined as compared to last year, such decline was mainly attributable to the following reasons: (1) after the easing of physical restrictions in Mainland China, the economy did not experience the significant rebound as expected, and also the consumption attitude of domestic residents is relatively conservative, resulted in a significant decline in domestic demand; (2) the decline in export orders due to weak demand in the consumer electronic market caused by unfavourable global business environment such as rising inflation worldwide and interest rate hikes in the US.

The Group has turned around in 2023 mainly due to (i) gross profit of panels has returned to normal in 2023, which led to the overall growth in gross profit; (ii) the Group had a good monitoring and control over the inventory level, the Group inventory level was in a health status, as a result the provision of inventory has been reduced in 2023.

MID

MID segment comprises of tablet and smart home audio products delivered the largest revenue of the Group. Due to consumer sentiment was depressed and enterprise shifted to AI tablet product development, which resulted in a decline in sales of panels and chip products for traditional tablets.

Car Infotainment System

The rise of the electric vehicles and the continuous decline in vehicle price has seriously affected the demand for car infotainment system in the after-factory market, which resulted in a decline in the relevant business.

Video Image Device

The main market of video image device products such as aerial, hunting and sports cameras are mainly Europe and US. Although the overall demand has declined, the relevant business has been relatively stable due to our high-end solutions can meet the needs of our customers as their requirements for overall specifications have enhanced.

Network Communication System

With the growing market demand for Smart Home (“**IOT**”), the Company’s wireless network (“**Wi-Fi**”) and Bluetooth solutions has achieved impressive growth in household appliances business.

Smartphone Panel Module

According to IDC, worldwide smartphone shipments in 2023 further decreased to 1.17 billion units from 1.21 billion units recorded in 2022, the lowest in a decade. Weak demand for smartphone panel module in 2023 resulted in decline of revenue in the relevant business.

STB

The Company’s main sales market of STB solutions is in Middle East, South America and North Africa. Due to the exchange rate of US\$ remained high relative to local currencies, the demand has decreased.

OUTLOOK

Looking ahead, under the uncertain global business environment, the Company understands the tremendous challenges in 2024. To overcome these challenges and difficulties, the Group will endeavour to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different areas. The Group will also maintain a flexible business strategy to explore new business opportunities for its developments.

We are currently in the process of developing products including:

1. AI products are becoming increasingly popular, and in the future, many electronic products will be closely tied to AI. With our years of experience in consumer electronics, the Group will pay close attention to the development of these products. In respect of the educational tablets, the Group has corresponding solutions in this regard and believes that it will bring stable growth of MID business to the Company in 2024.
2. Microcontroller unit (“MCU”) for new energy vehicles: There are numerous brands and increasing sales volume in China’s new energy vehicle market. Traditionally, MCU chips for electric vehicles were sourced from European and US countries. Since China’s implementation of policy on autonomy in semiconductor production which has been positively responded by automakers, the Company has started deployment over the past few years and has identified opportunities in different applications, such as car door, car seat and window control of the intelligent cockpit. In 2024, we will further seek opportunities in areas such as dashboard control, power systems, and assisted driving, believing that they will bring stable returns to the Group in the future.
3. Electronic paper application: Electronic paper is now mostly used in electronic books, electronic notebooks and electronic labels. With the advancement of technology, colour electronic paper is becoming increasingly popular, and in addition to the inherent consumer electronic applications, the Group will also explore solutions such as electronic posters and electronic noticeboards, providing the market with more choices.
4. The Company is also actively developing solutions for various Metaverse hardware applications, which is expected to drive the Company’s future revenue growth.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group achieved sales revenue of HK\$1,202,816,000, decreased by 30.6% from HK\$1,732,213,000 as recorded in 2022.

Gross Profit

For the year ended 31 December 2023, gross profit was HK\$44,198,000, increased by 287.7% from gross loss of HK\$23,553,000 as recorded last year. Gross profit margin was 3.7%, increased from gross loss margin of 1.4% as recorded in 2022.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2023, the Group's operating costs were HK\$34,395,000 (2022: HK\$37,499,000), representing a decrease by 8.3%, compared to the corresponding period in 2022.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2023 was HK\$3,942,000, increased by 105.8%, compared to the loss attributable to owners of the Company of HK\$68,545,000 as recorded in 2022.

Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 31 December 2023, the Group's current ratio was 127.7% (31 December 2022: 106.0%). As of 31 December 2023, the Group had bank balances and cash of HK\$47,191,000 (31 December 2022: HK\$91,896,000) and bank borrowings of HK\$117,518,000 (31 December 2022: HK\$220,428,000). As of 31 December 2023, the Group's net gearing ratio was 101.5% (31 December 2022: 472.5%), which is calculated based on the Group's net debt (calculated as total bank borrowing minus bank balances and cash) of approximately HK\$70,327,000 (31 December 2022: HK\$128,532,000) and Group's total equity of approximately HK\$69,282,000 (31 December 2022: HK\$27,203,000).

The Group recorded debtors turnover of approximately 33 days for the year under review (2022: 26 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 39 days and 39 days respectively for the year under review (2022: approximately 65 days and 46 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2023, divided by cost of sales for the respective year and multiplied by 365 days.

Foreign Exchange Risk Management

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

Employee and Remuneration Policy

As at 31 December 2023, the Group employed approximately 71 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 discretionary annual performance related bonuses.

Other than medical insurance and mandatory 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.

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)	Further revised allocation of unutilised net proceeds as at 31 December 2022 (HK\$ million)	Actual use of proceeds as at 31 December 2023 (HK\$ million)	Balance as at 31 December 2023 (HK\$ million)	Expected timeline of full utilisation 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	(7.5)	1.2	-	N/A
	11.2	11.2	(7.5)	3.7	-	
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	1.6	5.9	By end of 2024
- Others	5.6	-	-	-	-	N/A
	11.2	11.2	7.5	12.8	5.9	
General working capital	3.0	3.0	-	3.0	-	N/A
Total	<u>30.0</u>	<u>30.0</u>	<u>-</u>	<u>20.1</u>	<u>9.9</u>	

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

During the year ended 31 December 2023, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM RIGHTS ISSUE

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 a non-underwritten basis (the “**Rights Issue**”). On 31 August 2023, an aggregate of 316,312,074 rights shares has been issued pursuant to the rights issue prospectus of the Company dated 7 August 2023 and the results of rights issue announcement of the Company dated 30 August 2023 (the “**Announcement**”). The estimated net proceeds from the Rights Issue (after deducting all necessary costs and expenses) were approximately HK\$36.7 million. As of 31 December 2023, approximately HK\$32.0 million had been utilised as follows:

Uses	Planned use of the proceeds as stated in the Announcement (HK\$ million)	Actual use of proceeds as at 31 December 2023 (HK\$ million)	Unutilised net proceeds up to 31 December 2023 (HK\$ million)
Repayment of outstanding bank borrowings	25.8	25.8	–
Development of new applications for MCU and electronic paper	7.3	2.6	4.7
General working capital	3.6	3.6	–
Total	<u>36.7</u>	<u>32.0</u>	<u>4.7</u>

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 2023.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix C1 to the GEM Listing Rules (the “**CG Code**”) for the year ended 31 December 2023, except for the following deviations:

Under the code provision C.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 an 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 2023 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 2023 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 opinion or assurance conclusion has been expressed by BDO Limited on this preliminary announcement.

EVENT AFTER THE REPORTING PERIOD

On 1 February 2024, the Board proposed that the English name of the Company be changed from “Hi-Level Technology Holdings Limited” to “V & V Technology Holdings Limited” and the dual foreign name in Chinese of the Company be changed from “揚宇科技控股有限公司” to “時騰科技控股有限公司”. For further details, please refer to the Company’s announcement dated 1 February 2024.

APPRECIATION

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

By order of the Board
Hi-Level Technology Holdings Limited
Mr. Yim Tsz Kit, Jacky
Chairman

Hong Kong, 22 March 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Yim Yuk Lun, Stanley BBS JP, Mr. Yim Tsz Yu, Jeffrey and Mr. Tong Sze Chung; two non-executive Directors, namely Mr. Yim Tsz Kit, Jacky and 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.