



Hitek Global Inc. Announces Fiscal Year 2022 Financial Results

April 28, 2023

XIAMEN, China, April 27, 2023 /PRNewswire/ -- Hitek Global Inc. (Nasdaq: HKIT) (the "**Company**"), a China-based information technology consulting and solutions service provider, today announced its financial results for the fiscal year ended December 31, 2022.

Ms. Xiaoyang Huang, Chief Executive Officer and Director of Hitek Global Inc. commented, "During the year of 2022, there were restrictions on the mobility and normal activities in place from time to time in China, in response to the COVID-19 pandemic. However, we maintained our revenue in fiscal year 2022 at the same level as last fiscal year, despite the challenging and uncertain market conditions. We also achieved a stable gross profit margin and a positive profit even after deducting the expenses relating to our initial public offering. With the lifting of pandemic restrictions in China in December 2022, we believe that we are well-positioned to become a future-ready company as we actively seek business opportunities."

Ms. Huang continued, "Currently, China is encouraging self-employment in various ways, and we are exploring opportunities in related markets accordingly. We firmly believe that our accumulated stable experience in serving small and micro enterprises, especially in the field of IT services, will always be the solid foundation for our long-term development. Additionally, we strive to enhance our capabilities to provide more comprehensive IT solutions and expand our service offerings to diversify our income streams in the near future."

Fiscal Year 2022 Financial Results

Revenue

Total revenues were \$6.4 million in fiscal year 2022, slightly decreased from \$6.5 million in fiscal year 2021, mainly due to decrease in revenue generated from tax devices and services sales, and partially offset by increase in revenue generated from hardware sales and software sales.

- Revenue generated from hardware sales was \$2.5 million in fiscal year 2022, increased by 2.9% to \$2.4 million in fiscal year 2021, the increase was mainly from small retail sales.
- Revenue generated from software sales was \$2.1 million in fiscal year 2022, increased by 3.1% to \$2.0 million in fiscal year 2021, the increase was due to increase of maintenance service revenue.
- Revenue generated from tax devices and services was \$1.8 million in fiscal year 2022, decreased by 8.5% to \$2.0 million in fiscal year 2021. The decrease was due to the decline in demand of our tax devices and services because, according to a new policy effective since January 2021, as a new policy was enacted in January 2021 that the new taxpayers in Xiamen can obtain tax Ukeys (USB security keys) from the PRC tax authorities for free to issue electronic invoices themselves.

Gross Profit and Gross Margin

Gross profit was \$3.5 million in fiscal year 2022, decreased by 8.8% from \$3.9 million in fiscal year 2021. Gross margin was 55.0% in fiscal year 2022, compared to 60.1% in fiscal year 2021.

Operating Expenses

Operating expenses were \$1.9 million in fiscal year 2022, increased by 7.5% from \$1.8 million in fiscal year 2021.

- Selling expenses were \$437,185 in fiscal year 2022, increased by 471.7% from \$76,477 in fiscal year 2021. The increase was mainly because of the increase of the Company's sales commission in connection with obtaining new orders.
- General and administrative expenses were \$1.5 million in fiscal year 2022, decreased by 13.4% from \$1.7 million in fiscal year 2021. The decrease was mainly due to the decrease of bad debt recovery of \$0.1 million and offset with the decrease of depreciation expense of \$0.3 million.

Other Income

Other income was \$0.2 million in fiscal year 2022, increased by 122.5% from \$0.1 million in fiscal year 2021. The increase was primarily due to the increase of interest income related to the loan receivables in the amount of \$0.6 million offset by the increase of interest expense for the borrowings of \$0.3 million.

Net Income

Net income was \$1.4 million in fiscal year 2022, compared to \$1.7 million in fiscal year 2021.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share were \$0.13 in fiscal year 2022, compared to \$0.15 in fiscal year 2021.

Balance Sheet

As of December 31, 2022, the Company had cash of \$1.2 million, compared to \$2.1 million as of December 31, 2021.

Cash Flow

Net cash provided by operating activities was \$3.8 million in fiscal year 2022, compared to net cash used in operating activities of \$0.2 million in fiscal year 2021.

Net cash used in investing activities was \$7.3 million in fiscal year 2022, compared to net cash provided by investing activities of \$0.4 million in fiscal year 2021.

Net cash provided by financing activities was \$2.7 million in fiscal year 2022. The Company did not have net cash provided by financing activities in fiscal year 2021.

Recent Development

On April 4, 2023, the Company completed its initial public offering of 3,200,000 ordinary shares at a public offering price of US\$5.00 per ordinary share. The ordinary shares of the Company began trading on the Nasdaq Capital Market on March 31, 2023 under the ticker symbol "HKIT."

About Hitek Global Inc.

Hitek Global Inc., headquartered in Xiamen, China, is an information technology ("IT") consulting and solutions service provider in China. The Company has two lines of business: 1) services to small and medium businesses, which consists of Anti-Counterfeiting Tax Control System ("ACTCS") tax devices, ACTCS services, and IT services, and 2) services to large businesses, which consists of hardware sales and software sales. The Company's vision is to become a one-stop consulting destination for holistic IT and other business consulting services in China. For more information, visit the Company's website at <http://ir.xmhitek.com/>.

Forward-Looking Statements

This announcement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact in this announcement are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations and projections about future events and financial trends that the Company believes may affect its financial condition, results of operations, business strategy and financial needs. Investors can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results and encourages investors to review other factors that may affect its future results in the Company's registration statement and in its other filings with the SEC.

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HITEK GLOBAL INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2022	2021
Assets		
Current assets		
Cash	\$ 1,203,160	\$ 2,091,308
Short-term investments	4,290,348	5,197,015
Accounts receivable, net	3,271,218	2,357,114
Accounts receivable - related party, net	399,465	414,639
Advances to suppliers, net	481,769	1,110,923
Inventories, net	430,670	409,021
Deferred offering cost	917,446	1,026,567
Loan receivable	1,013,157	204,441
Prepaid expenses and other current assets	94,925	156,111
Total current assets	12,102,158	12,967,139
Non-current assets		
Non-current accounts receivable	4,209,546	3,134,361
Non-current accounts receivable - related party	-	548,395
Non-current advance to a third party	421,679	333,717
Non-current loan receivable	4,342,100	-

Property, equipment and software, net	122,967	156,761
Operating lease right-of-use assets	6,641	-
Total non-current assets	9,102,933	4,173,234
Total Assets	\$ 21,205,091	\$ 17,140,373
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 696,734	\$ 518,739
Loan payable	506,578	-
Deferred revenue	977,054	784,530
Taxes payable	1,671,322	1,299,147
Due to related parties	598	4,163
Accrued expenses and other current liabilities	348,167	181,925
Operating lease liabilities	3,242	-
Total current liabilities	4,203,695	2,788,504
Non-current Liabilities		
Loan payable, non-current	2,171,050	-
Deferred income tax liabilities, non-current	1,300,421	1,225,641
Operating lease liabilities, non-current	3,399	-
Total non-current liabilities	3,474,870	1,225,641
Total Liabilities	7,678,565	4,014,145
Commitments and Contingencies		
Shareholders' Equity		
Ordinary Shares*, par value \$0.0001 per share, 490,000,000 shares authorized; 10,987,679 shares issued and outstanding	1,099	1,099
Additional paid-in capital	2,628,356	2,628,356
Statutory reserve	836,215	767,207
Retained earnings	10,340,107	8,993,370
Accumulated other comprehensive (loss) income	(279,251)	736,196
Total Shareholders' Equity	13,526,526	13,126,228
Total Liabilities and Shareholders' Equity	\$ 21,205,091	\$ 17,140,373

* Retrospectively restated for effect of Reverse Split.

HITEK GLOBAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
	2022	2021	2020
Revenues	\$ 6,428,608	\$ 6,461,163	\$ 5,804,727
Cost of revenues	(2,891,565)	(2,581,218)	(2,633,455)
Gross profit	3,537,043	3,879,945	3,171,272
Operating expenses:			
General and administrative	1,472,648	1,699,934	1,415,484
Selling	437,185	76,477	2,012
Total operating expenses	1,909,833	1,776,411	1,417,496
Operating income	1,627,210	2,103,534	1,753,776
Other income (expense)			
Government subsidies	9,838	6,883	101,965
Net investment (loss) income	(19,363)	103,375	99,574
Financial income (expense), net	250,172	(2,190)	2,607

Other, net	1,106	608	179
Total other income	241,753	108,676	204,325
Net Income before provision for income taxes	1,868,963	2,212,210	1,958,101
Income tax expense	453,218	542,853	269,242
Net income	\$ 1,415,745	\$ 1,669,357	\$ 1,688,859
Comprehensive income			
Net income	\$ 1,415,745	\$ 1,669,357	\$ 1,688,859
Foreign currency translation (loss) gain	(1,015,447)	290,407	521,914
Comprehensive income	\$ 400,298	\$ 1,959,764	\$ 2,210,773
Earnings per ordinary share			
– Basic and diluted	<u>\$ 0.13</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>
Weighted average number of ordinary shares outstanding			
– Basic and diluted	<u>10,987,679</u>	<u>10,987,679</u>	<u>10,987,679</u>

* Retrospectively restated for effect of Reverse Split.

HITEK GLOBAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Years Ended December31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Activities			
Net income	\$ 1,415,745	\$ 1,669,357	\$ 1,688,859
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	21,881	355,738	378,594
Loss on disposal of property, plant and equipment			94
Interest income	(21,699)	(6,525)	(6,522)
Net investment loss (gain)	19,363	(103,375)	(99,574)
(Reversal of) doubtful accounts of receivables and advances to suppliers	(6,442)	(123,754)	(33,519)
(Reversal of) provision for obsolete inventories	2,217	(5,317)	6,783
Deferred income tax	177,029	340,624	242,296
Changes in operating assets and liabilities:			
Short-term investment –trading securities	2,418,675	(2,625,216)	(174,379)
Accounts receivable	(2,490,725)	(1,100,056)	934,525
Accounts receivable - related party	499,933	578,157	186,223
Advances to suppliers	560,352	(184,369)	(848,649)
Deferred offering cost	60,000	155,915	(335,898)
Inventory	(57,899)	(276,672)	397,603
Prepaid expenses and other current assets	89,583	769,913	(673,019)
Due from related party			708
Accounts payable	225,198	127,422	172,025
Deferred revenue	261,856	12,089	(58,463)
Taxes payable	488,419	327,807	159,464
Due to related parties	(3,320)	1,062	2,843
Accrued expenses and other current liabilities	163,884	(127,375)	(7,144)
Net cash provided by (used in) operating activities	<u>3,824,050</u>	<u>(214,575)</u>	<u>1,932,850</u>
Investing Activities			
Advance payment for software development	(117,617)	(25,582)	(285,346)
Loans to third parties	(5,498,997)	(356,595)	(144,925)
Repayment from third-party loans	199,463	317,059	-
Purchases of held-to-maturity investments	(1,932,080)	(1,240,329)	(2,463,732)

Redemption of held-to-maturity Investments	-	1,705,453	2,028,956
Net cash (used in) provided by investing activities	(7,349,231)	400,006	(865,047)
Financing activities:			
Borrowing from third parties	2,749,498	-	-
Net cash provided by financing activities	2,749,498	-	-
Effect of exchange rate changes on cash and equivalents	(112,465)	44,323	17,531
Net (decrease) increase in cash	(888,148)	229,754	1,085,334
Cash and equivalents at beginning of year	2,091,308	1,861,554	776,220
Cash and equivalents at end of year	\$ 1,203,160	\$ 2,091,308	1,861,554
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	\$ 45,002	\$ 32,646	26,300
Non-cash transactions:			
Operating right-of-use assets recognized for related operating lease liabilities	\$ 6,820	\$ -	-

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