



Hi-Level Technology Holdings Limited
揚宇科技控股有限公司

Stock Code: 8113

2016

THIRD QUARTERLY REPORT



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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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*This report, 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 the GEM (the “**Gem Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL HIGHLIGHTS

The Group recorded revenue of HK\$1,229,362,000 for the nine months ended 30 September 2016 (Nine months ended 30 September 2015: HK\$917,342,000).

Profit attributable to owners of the Company for the nine months ended 30 September 2016 amounted to HK\$21,018,000 (Nine months ended 30 September 2015: HK\$16,923,000).

On 9 August 2016, the Board resolved to declare and pay an interim dividend of HK\$0.5 cent per share for the six months ended 30 June 2016. Save for such interim dividend, the Board does not recommend the payment of interim dividend for the nine months ended 30 September 2016 (Nine months ended 30 September 2015: Nil).

The board of directors (the "Board") of Hi-Level Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2016 together with comparative figures for the previous period are as follows:

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

For the nine months ended 30 September 2016

| | Notes | For the three months ended 30 September | | For the nine months ended 30 September | |
|---------------------------------------------------------------------------------------------|-------|-----------------------------------------|---------------------------------|----------------------------------------|---------------------------------|
| | | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Revenue | 3 | 539,889 | 411,715 | 1,229,362 | 917,342 |
| Cost of sales | | (521,100) | (395,651) | (1,182,974) | (880,315) |
| Gross profit | | 18,789 | 16,064 | 46,388 | 37,027 |
| Other income | | 13 | 16 | 49 | 379 |
| Distribution costs | | (1,847) | (1,220) | (3,866) | (2,937) |
| Administrative expenses | | (6,332) | (4,902) | (17,551) | (13,791) |
| Interest on bank borrowings wholly repayable within five years | | (517) | (327) | (979) | (787) |
| Profit before taxation | | 10,106 | 9,631 | 24,041 | 19,891 |
| Income tax expense | 4 | (1,196) | (1,637) | (3,023) | (2,968) |
| Profit for the period | 6 | 8,910 | 7,994 | 21,018 | 16,923 |
| Other comprehensive expense: Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences arising on translation of foreign subsidiaries operations | | – | (207) | (637) | (207) |
| Total comprehensive income for the period | | 8,910 | 7,787 | 20,381 | 16,716 |
| Earnings per share (HK cents) | 7 | | | | |
| – Basic | | 1.49 | 1.78 | 3.52 | 3.76 |
| – Diluted | | 1.43 | 1.78 | 3.41 | 3.76 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Translation reserve HK\$'000 | Dividend reserve HK\$'000 | Shareholder's contribution reserve HK\$'000 | Share option reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--------------------------------------------------------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------------|------------------------------|------------------------------------------------|----------------------------------|------------------------------|-------------------|
| At 1 January 2016 | - | - | 25,000 | 1,304 | 40,000 | 373 | - | 21,852 | 88,529 |
| Profit for the period | - | - | - | - | - | - | - | 21,018 | 21,018 |
| Exchange differences arising on translation of foreign subsidiaries operations | - | - | - | (637) | - | - | - | - | (637) |
| Total comprehensive income for the period | - | - | - | (637) | - | - | - | 21,018 | 20,381 |
| Special dividend paid | - | - | - | - | (40,000) | - | - | - | (40,000) |
| Dividends paid | - | - | - | - | - | - | - | (9,000) | (9,000) |
| Recognition of equity-settled share-based payment | - | - | - | - | - | 57 | 1,381 | - | 1,438 |
| Issue of new shares by way of placing | 1,500 | 45,000 | - | - | - | - | - | - | 46,500 |
| Share issue expenses | - | (4,820) | - | - | - | - | - | - | (4,820) |
| Capitalization issue | 4,500 | (4,500) | - | - | - | - | - | - | - |
| At 30 September 2016 | 6,000 | 35,680 | 25,000 | 667 | - | 430 | 1,381 | 33,870 | 103,028 |
| At 1 January 2015 | - | - | 25,000 | 1,545 | - | 92 | - | 55,335 | 81,972 |
| Profit for the period | - | - | - | - | - | - | - | 16,923 | 16,923 |
| Exchange difference arising on translation of foreign subsidiaries operations | - | - | - | (207) | - | - | - | - | (207) |
| Total comprehensive income for the period | - | - | - | (207) | - | - | - | 16,923 | 16,716 |
| Dividend paid | - | - | - | - | - | - | - | (6,000) | (6,000) |
| Recognition of equity-settled share-based payment | - | - | - | - | - | 79 | - | - | 79 |
| At 30 September 2015 | - | - | 25,000 | 1,338 | - | 171 | - | 66,258 | 92,767 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 September 2015 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 2016, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2016 are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements and the disclosure requirements of Chapter 18 to the GEM Listing Rules. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs is not expected to have material impact on the condensed financial information of the Group.

3. REVENUE

Revenue represents the sales of electronic components with the provision of independent design house services 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 September | | Revenue by geographical market For the nine months ended 30 September | |
|-----------|---------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| The PRC | 466,827 | 351,198 | 1,035,480 | 788,476 |
| Hong Kong | 67,179 | 52,928 | 184,443 | 120,472 |
| Taiwan | 4,484 | 6,661 | 7,978 | 7,449 |
| Others | 1,399 | 928 | 1,461 | 945 |
| | 539,889 | 411,715 | 1,229,362 | 917,342 |

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

| | Revenue from customers individually contributing over 10% of the Group's revenue For the three months ended 30 September | | Revenue from customers individually contributing over 10% of the Group's revenue For the nine months ended 30 September | |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Customer A | 92,320 | 97,310 | 190,507 | 183,212 |
| Customer B | 92,716 | N/A* | 157,798 | N/A* |

* The corresponding revenue did not contribute over 10% the total revenue of the Group.

4. INCOME TAX EXPENSE

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---------------------------|--------------------------------------------|---------------------------------|-------------------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Current income tax: | | | | |
| Hong Kong Profits tax | 1,224 | 1,637 | 2,825 | 2,968 |
| PRC Enterprise Income Tax | (28) | – | 198 | – |
| | 1,196 | 1,637 | 3,023 | 2,968 |

Hong Kong Profits Tax has been provided at the rate of 16.5% (Nine months ended 30 September 2015: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (Nine months ended 30 September 2015: 25%).

5. DIVIDENDS PAID

| | For the nine months ended 30 September | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Interim dividend paid during the period in respect of the six months period ended 30 Jun 2016 of HK0.5 cent (2015: Nil) | 3,000 | – |
| Final dividend paid during the period in respect of the previous financial year of HK\$1 cent (2015: Nil) | 6,000 | – |
| Final dividend paid during the period by Hi-Level Technology Limited (“Hi-Level Hong Kong”), a wholly-owned subsidiary of the Company, to its then shareholders (<i>Note</i>) | – | 6,000 |
| Special dividend in respect of the year ended 31 December 2015 of HK\$1.60 per share, was declared by Hi-Level Hong Kong to its then shareholders conditionally upon listing of the shares of the Company (2015: Nil) | 40,000 | – |
| | 49,000 | 6,000 |

Note: During nine months period ended 30 September 2015, a final dividend in respect of the year ended 31 December 2014 of HK\$24 cents per share, or in aggregation of HK\$6,000,000, was paid by Hi-Level Hong Kong to its then shareholders.

6. PROFIT FOR THE PERIOD

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|-----------------------------------------------------------------------------------|--------------------------------------------|---------------------------------|-------------------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Profit for the period has been arrived at after charging (crediting): | | | | |
| Directors' salary | 618 | 461 | 2,104 | 1,382 |
| Staff costs: | | | | |
| Salaries and other allowances | 2,724 | 2,587 | 9,244 | 9,972 |
| Retirement benefit scheme contributions | 557 | 514 | 1,710 | 1,073 |
| Share-based payment expenses (note) | 377 | – | 1,438 | 79 |
| Total staff costs | 3,658 | 3,101 | 12,392 | 11,124 |
| Auditor's remuneration | 250 | 44 | 759 | 151 |
| Bank interest income | (13) | (5) | (37) | (20) |
| Net exchange loss | 14 | 269 | 68 | 50 |
| Cost of inventories recognised as an expense | 514,293 | 374,161 | 1,159,471 | 838,497 |
| Reversal of allowance for trade receivables | – | 118 | (1,000) | – |
| Depreciation of property, plant and equipment | 85 | 53 | 315 | 174 |
| Operating lease rental in respect of offices and warehouses paid/payable to | | | | |
| – third parties | 322 | 269 | 876 | 829 |
| – substantial shareholder and its subsidiaries | 128 | – | 382 | – |
| – immediate holding company | – | 96 | – | 288 |
| – fellow subsidiaries | – | 33 | – | 99 |

Note: It represents capital contribution of HK\$57,000 (2015: HK\$79,000) arising from the share options granted to the employees of the Group under the share option scheme of S.A.S. Dragon Holdings Limited ("S.A.S. Dragon") and HK\$1,381,000 (2015: Nil) arising from the Pre-IPO Share Option Scheme of the Company during the period.

7. EARNINGS PER SHARE

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

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------|-------------------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share | 8,910 | 7,994 | 21,018 | 16,923 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share ('000) | 600,000 | 450,000 | 596,715 | 450,000 |
| Effect of dilutive potential ordinary shares in respect of share options ('000) | 24,840 | – | 19,434 | – |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 624,840 | 450,000 | 616,149 | 450,000 |

INTERIM DIVIDEND

On 9 August 2016, the Board resolved to declare and pay an interim dividend of HK\$0.5 cent per share for the six months ended 30 June 2016 to the Company's shareholders whose names appeared on the register of members of the Company on 29 August 2016. Save for such interim dividend, the board does not recommend the payment of interim dividend for the nine months ended 30 September 2016 (Nine months ended 30 September 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an independent design house ("IDH"), primarily engaged in the sale of electronic components (mainly integrated circuit ("IC") and panels) for consumer electronic products such as electronic learning aid ("ELA"), mobile internet device ("MID"), set-top box, multi-media player and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

Our ELA customers entered its peak season in the third quarter under review, we benefited from the remarkable sales performance of those medium size panel solutions. Other than BBK, another two major ELA customers increased demand of our Innolux panel solutions significantly.

Apart from panel solutions, we also recorded growth of our revenue by our IC solutions. Our export customers adopted our i-Catch IC solutions for their sport cameras to meet their Christmas orders. Also, our set-top box customers continued to procure our Rockchip IC solutions for Huawei and Alibaba over the top (OTT) products. As virtual reality (VR) market is rapidly exploding, our customers started to mass produce VR headsets using our Rockchip IC solutions in the third quarter under review.

As a result, revenue of the Company for the third quarter of 2016 increased 34.0% as compared with the corresponding period of last year.

OUTLOOK

Looking forward, we are optimistic to maintain the growth momentum of the Group in 2016.

Our largest customer developed new brand for 4G ELA and will start productions in the fourth quarter of this year. We expect large demand of our small to medium size Innolux panel solutions.

Moreover, beside the VR headsets, we predict there will be a large demand of our i-Catch IC solutions for the VR 360 degree camera. We expect further increase of demand of our IC solutions in fourth quarter of this year.

The Company is positive in our business development in 2016. We will continue to pursue a healthy and sustainable business growth and are confident to generate more returns to our shareholders.

FINANCIAL REVIEW

Revenue

For the nine months ended 30 September 2016, the Group achieved record sales revenue of HK\$1,229,362,000, increased approximately 34.0% from HK\$917,342,000 recorded in the corresponding period of 2015. The increase was primarily attributable to our increased sales to ELA, set-top box and VR headset customers.

Gross Profit

Gross profit for the nine months ended 30 September 2016 was HK\$46,388,000 increased approximately 25.3% from HK\$37,027,000 recorded in the corresponding period of 2015. Gross profit margin was 3.8%, decreased from 4.0% recorded in the corresponding period of 2015.

Distribution Costs and Administrative Expenses

The Group's operating costs for the reporting period were HK\$21,417,000 (2015: HK\$16,728,000), representing an increase of approximately 28.0% compared to the corresponding period in 2015. This was mainly attributable to the increase in operating expenses such as transportation and logistics charge, staff costs, audit fee and compliance advisor fee incurred during the period under review.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the nine months ended 30 September 2016 was HK\$21,018,000, increased by approximately 24.2% as compared with HK\$16,923,000 recorded in the corresponding period of 2015, which was mainly attributable to the increase in revenue during the period under review.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2016, 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 |
|-------------------------------------|---------------------------------------------------------|---------------------------------------|---------------------------------------------------|
| Yim Yuk Lun, Stanley JP (Note 1) | Beneficial owner and interest in controlled corporation | 227,035,861 | 37.84 |
| Chang Wei Hua (Note 2) | Interest in controlled corporation | 76,247,000 | 12.70 |
| Wei Wei (Note 3) | Interest in controlled corporation | 76,247,000 | 12.70 |
| Lau Ping Cheung | Beneficial owner | 100,800 | 0.02 |
| Tong Sze Chung | Beneficial owner | 144 | 0 |

Notes:

1. Mr. Yim Yuk Lun, Stanley JP beneficially owns 21,382,861 Shares and is the controlling shareholder of S.A.S. Dragon; he is therefore under the SFO deemed to be interested in 205,653,000 Shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of S.A.S. Dragon.
2. These shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. These 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

S.A.S. Dragon share option scheme

Pursuant to a resolution of S.A.S. Dragon, the ultimate holding company of the Company passed on 27 July 2012, S.A.S. Dragon adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants, including directors, non-executive directors, employees, shareholders, suppliers and customers of S.A.S. Dragon and any of its subsidiaries.

According to the Scheme, the board of directors of S.A.S. Dragon may at their discretion grant options to directors, executives and employees of S.A.S. Dragon and its subsidiaries to subscribe for shares in S.A.S. Dragon.

On 25 September 2014, there were share options granted to directors or employees of entities comprising the Group under the Scheme. The following share options were outstanding during the nine months ended 30 September 2016:

| Date of grant | Vesting period | Exercisable period | Exercise price per share | Outstanding at 30 September 2016 |
|----------------------|---------------------------|---------------------------|---------------------------------|-----------------------------------------|
| 25.9.2014 | 25.9.2014 to 24.9.2015 | 25.9.2015 to 24.9.2017 | HK\$2.60 | 437,000 |
| 25.9.2014 | 25.9.2014 to 24.9.2016 | 25.9.2016 to 24.9.2017 | HK\$2.60 | 437,000 |
| | | | | 874,000 |

Share options granted in September 2014 under the Scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

Pre-IPO share option scheme of the Company

Pursuant to the written resolutions of the sole shareholder of the Company passed on 11 October 2015 (the “Resolutions”), the Company has adopted a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”).

Under which, share options are granted to directors (including non-executive directors) and employees to the Group and the connected persons of the Company (the “Grantees”). The Pre-IPO Share Option Scheme was terminated on 7 January 2016. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme is remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 11 October 2015, options to subscribe for an aggregate of 60,000,000 shares of the Company, representing 10% of the issued share capital of the Company immediately following the completion of the Placing (as defined in the Prospectus), at an exercise price of HK\$0.31 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK\$1 to the Company on acceptance of the offer for the grant of option. Pursuant to the Resolutions Grantees may exercise 50% of such options granted for two years commencing from the first anniversary of 7 January 2016 (“the Listing Date”) of the Company and the remaining 50% for one year commencing from the second anniversary of the Listing Date. The share-based payment in respect of such options is amortised over the vesting periods from 11 October 2015 to 6 January 2017 and 11 October 2015 to 6 January 2018 in accordance with the Group’s accounting policy.

A summary of the outstanding share options during the nine months ended 30 September 2016 were as follows:

| Grantee | Options granted as at 11 October 2015 | Number of options outstanding at 30 September 2016 |
|---------------------------------|----------------------------------------------|-----------------------------------------------------------|
| Directors | | |
| Chang Wei Hua | 600,000 | 600,000 |
| Wei Wei | 600,000 | 600,000 |
| Tong Sze Chung | 600,000 | 600,000 |
| Lau Ping Cheung | 600,000 | 600,000 |
| Shea Chun Lok, Quadrant | 600,000 | 600,000 |
| Fung Cheuk Nang, Clement | 600,000 | 600,000 |
| Tsoi Chi Ho, Peter | 600,000 | 600,000 |
| Others | | |
| Employees and connected persons | 55,800,000 | 55,800,000 |
| | <u>60,000,000</u> | <u>60,000,000</u> |

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 options 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 10% of the number of issued shares of the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the nine months ended 30 September 2016 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 September 2016, 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 | 205,653,000 | 37.28 |
| S.A.S. Investment | Beneficial owner | 205,653,000 | 37.28 |

Note:

S.A.S. Dragon deemed to be interested in the 205,653,000 Shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Alliance Capital Partners Limited (“Alliance”), compliance adviser of the Company, Alliance had 1,400,000 shares of the Company as at 30 September 2016.

Save as disclosed above, neither Alliance nor any of its close associates and none of the directors or employees of Alliance had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2016.

Pursuant to the agreement dated 29 December 2015 entered into between Alliance and the Company, Alliance received and will receive fees for acting as our Company’s compliance adviser.

USE OF PROCEEDS

During the period under review, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$30 million. As at 30 September 2016, the net proceeds from the Placing had been applied as follows.

**Actual use of proceeds
for the nine months
ended 30 September 2016
(HK\$'000)**

| | |
|-----------------------------------------|-------------|
| Upgrade our ERP system | 150 |
| Expand our ELA business by engaging in: | |
| – R&D staff expenses | 305 |
| – Equipment purchases | 301 |
| | <hr/> |
| Total | 756 |
| | <hr/> <hr/> |

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

Throughout the period from the Listing Date to 30 September 2016, 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") 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.

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 nine months ended 30 September 2016.

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 nine months ended 30 September 2016.

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
Yim Yuk Lun, Stanley JP
Chairman

Hong Kong, 8 November 2016

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