



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

Stock Code: 8113

2017
INTERIM REPORT



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

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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.*

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Wong Wai Tai

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Tong Sze Chung

REGISTERED OFFICE

89 Nexus Way, Camana Bay
Grand Cayman KY1-9007
Cayman Islands

PRINCIPAL OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway, Hong Kong

WEBSITE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
8113

FINANCIAL HIGHLIGHTS

The Group recorded a revenue of HK\$990,713,000 for the six months ended 30 June 2017 (Six months ended 30 June 2016: HK\$689,473,000).

Profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to HK\$15,190,000 (Six months ended 30 June 2016: HK\$12,108,000).

The Board has resolved to declare an interim dividend of HK1 cent per share (Six months ended 30 June 2016: HK0.5 cent).

The board of directors (the “**Board**”) of Hi-Level Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2017, together with comparative figures for the previous period, as follows:

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

For the six months ended 30 June 2017

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Revenue | 3 | 515,018 | 354,192 | 990,713 | 689,473 |
| Cost of sales | | (494,498) | (339,164) | (951,660) | (661,874) |
| Gross profit | | 20,520 | 15,028 | 39,053 | 27,599 |
| Other income | | 110 | — | 211 | 36 |
| Distribution costs | | (2,034) | (1,155) | (3,640) | (2,019) |
| Administrative expenses | | (7,402) | (5,046) | (14,558) | (11,219) |
| Interest on bank borrowings wholly repayable within five years | | (2,180) | (237) | (3,651) | (462) |
| Profit before taxation | | 9,014 | 8,590 | 17,415 | 13,935 |
| Income tax expense | 4 | (858) | (696) | (2,225) | (1,827) |
| Profit for the period | 6 | 8,156 | 7,894 | 15,190 | 12,108 |
| Other comprehensive expense: <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences arising on translation of foreign subsidiaries operations | | — | (5) | (1,595) | (637) |
| Total comprehensive income for the period | | 8,156 | 7,889 | 13,595 | 11,471 |
| Earnings per share (HK cents) | 7 | | | | |
| — Basic | | 1.34 | 1.32 | 2.51 | 2.03 |
| — Diluted | | 1.29 | 1.28 | 2.41 | 1.98 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|---------------------------------------|-------|--|--|
| Non-current Assets | | | |
| Property, plant and equipment | | 428 | 552 |
| Club memberships | | 266 | 266 |
| | | 694 | 818 |
| Current Assets | | | |
| Inventories | | 313,194 | 233,640 |
| Trade and other receivables | 8 | 251,113 | 190,370 |
| Amount due from a related party | | — | 1,410 |
| Bank balances and cash | | 111,544 | 118,242 |
| | | 675,851 | 543,662 |
| Current Liabilities | | | |
| Trade and other payables | 9 | 196,479 | 301,613 |
| Amount due to a related party | | 72 | 220 |
| Taxation payable | | 6,194 | 4,890 |
| Bank borrowings | | 357,140 | 126,583 |
| | | 559,885 | 433,306 |
| Net Current Assets | | 115,966 | 110,356 |
| Total assets less current liabilities | | 116,660 | 111,174 |
| Capital and Reserves | | | |
| Share capital | 10 | 6,122 | 6,000 |
| Reserves | | 110,538 | 105,174 |
| Total Equity | | 116,660 | 111,174 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Share capital | Share premium | Special reserve | Translation reserve | Dividend reserve | Shareholder's contribution reserve | Share option reserve | Retained profits | Total |
|--|---------------|---------------|-----------------|---------------------|------------------|------------------------------------|----------------------|------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2017 | 6,000 | 36,440 | 25,000 | (1,899) | 12,000 | 448 | 1,643 | 31,542 | 111,174 |
| Profit for the period | — | — | — | — | — | — | — | 15,190 | 15,190 |
| Exchange differences arising on translation of foreign subsidiaries operations | — | — | — | (1,595) | — | — | — | — | (1,595) |
| Total comprehensive (expense) income for the period | — | — | — | (1,595) | — | — | — | 15,190 | 13,595 |
| Dividend paid | — | — | — | — | (12,000) | — | — | (209) | (12,209) |
| Recognition of equity-settled share-based payment | — | — | — | — | — | — | 311 | — | 311 |
| Share option exercised | 122 | 4,149 | — | — | — | — | (482) | — | 3,789 |
| At 30 June 2017 | 6,122 | 40,589 | 25,000 | (3,494) | — | 448 | 1,472 | 46,523 | 116,660 |
| At 1 January 2016 | — | — | 25,000 | 1,304 | 40,000 | 373 | — | 21,852 | 88,529 |
| Profit for the period | — | — | — | — | — | — | — | 12,108 | 12,108 |
| Exchange differences arising on translation of foreign subsidiaries operations | — | — | — | (637) | — | — | — | — | (637) |
| Total comprehensive (expense) income for the period | — | — | — | (637) | — | — | — | 12,108 | 11,471 |
| Special dividend paid | — | — | — | — | (40,000) | — | — | — | (40,000) |
| Dividend paid | — | — | — | — | — | — | — | (6,000) | (6,000) |
| Recognition of equity-settled share-based payment | — | — | — | — | — | 38 | 1,023 | — | 1,061 |
| 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 June 2016 | 6,000 | 35,680 | 25,000 | 667 | — | 411 | 1,023 | 27,960 | 96,741 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | For the six months ended | |
|---|---------------------------------|-------------------------------|
| | 30 June | |
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Audited) |
| NET CASH (USED IN) OPERATING ACTIVITIES | (223,077) | (30,088) |
| NET CASH FROM INVESTING ACTIVITIES | 425 | 6,903 |
| NET CASH FROM FINANCING ACTIVITIES | 215,954 | 88,114 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (6,698) | 64,929 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 118,242 | 54,443 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | — | (1,130) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD Represented by bank balances and cash | 111,544 | 118,242 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC 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 2017, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the six months ended 30 June 2017 are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

The Group has applied the following new amendments to HKFRSs issued by the HKICPA for the first time in current period.

| | |
|-----------------------|--|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |

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 electronics components with the provision of independent design house service to external parties. The following is an analysis of the Group's revenue by the geographical locations of customers.

| | Revenue by geographical market | | | |
|-----------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | For the three months ended 30 June | | For the six months ended 30 June | |
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| The PRC | 429,586 | 288,348 | 839,442 | 568,653 |
| Hong Kong | 79,412 | 63,951 | 140,666 | 117,264 |
| Taiwan | 5,813 | 1,843 | 10,283 | 3,494 |
| Others | 207 | 50 | 322 | 62 |
| | 515,018 | 354,192 | 990,713 | 689,473 |

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

| | Revenue from customer individually contributing over 10% of the Group's revenue | | | |
|------------|--|---------------------------------|-------------------------------------|---------------------------------|
| | For the three months ended 30 June | | For the six months ended 30 June | |
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Customer A | N/A ^(Note) | 53,366 | 104,199 | 98,187 |

Note: Revenue from customer A contributed less than 10% of the total revenue of the Group during the three months ended 30 June 2017.

4. INCOME TAX EXPENSE

| | For the three months ended 30 June | | For the six months ended 30 June | |
|--------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Current tax: | | | | |
| Hong Kong Profits Tax | 858 | 498 | 2,225 | 1,601 |
| PRC Enterprise Income Tax ("EIT") | — | 198 | — | 226 |
| | 858 | 696 | 2,225 | 1,827 |

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 30 June 2016: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (Six months ended 30 June 2016: 25%).

5. DIVIDEND PAID

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Final dividend paid during the period in respect of the previous financial year of HK2 cents (2016: HK1 cent) | 12,209 | 6,000 |
| Special dividend in respect of the year ended 31 December 2015 of HK\$1.60 per share, was declared by Hi-Level Technology Limited to its then shareholders conditionally upon listing of the shares of the Company (2016: HK\$40,000,000) | — | 40,000 |
| | 12,209 | 46,000 |

6. PROFIT FOR THE PERIOD

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Profit for the period has been arrived at after charging (crediting): | | | | |
| Director's fee: | — | — | 250 | 250 |
| Staff costs: | | | | |
| Salaries and other allowances | 4,259 | 3,854 | 8,099 | 6,520 |
| Retirement benefit scheme contributions | 437 | 531 | 866 | 1,153 |
| Share-based payment expenses | 146 | 373 | 311 | 1,061 |
| Total staff costs | 4,842 | 4,758 | 9,276 | 8,734 |
| Auditor's remuneration | 261 | 255 | 523 | 509 |
| Bank interest income | (156) | (6) | (211) | (24) |
| Net exchange loss | 293 | 135 | 247 | 54 |
| Cost of inventories recognized as an expense | 483,323 | 330,762 | 937,886 | 645,178 |
| Reversal of allowance for trade receivables | — | (1,000) | — | (1,000) |
| Depreciation of property, plant and equipment | 80 | 177 | 147 | 230 |
| Operating lease rental in respect of offices and warehouses paid/payable to | | | | |
| — third parties | 311 | 274 | 614 | 554 |
| — substantial shareholder and its subsidiaries | 127 | 127 | 254 | 254 |

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 June | | For the six months ended 30 June | |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share | 8,156 | 7,894 | 15,190 | 12,108 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share ('000) | 609,760 | 600,000 | 604,188 | 595,055 |
| Effect of diluted potential ordinary shares in respect of share options ('000) | 24,551 | 15,714 | 24,967 | 15,079 |
| Weighted average number of ordinary shares or diluted earnings per share ('000) | 634,311 | 615,714 | 629,155 | 610,134 |

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

An aged analysis of trade and bills receivables by due dates (net of allowance for doubtful debts) is as follows:

| | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|--|--|--|
| Current | 114,322 | 118,883 |
| Within 30 days | 23,413 | 45,931 |
| More than 30 days and within 60 days | 1,947 | 1,214 |
| More than 60 days and within 90 days | 4,387 | 175 |
| More than 90 days | 858 | — |
| Other receivable, deposits and prepayments | 144,927 | 166,203 |
| | 106,186 | 24,167 |
| Total trade and other receivables | 251,113 | 190,370 |

9. TRADE AND OTHER PAYABLES

An aged analysis of trade and bills payables by due date is as follows:

| | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|--------------------------------------|--|--|
| Current | 132,259 | 210,848 |
| Within 30 days | 34,285 | 65,652 |
| More than 30 days and within 60 days | 7,605 | 9,466 |
| More than 60 days and within 90 days | — | — |
| More than 90 days | — | 200 |
| | 174,149 | 286,166 |
| Other payables and accruals | 22,330 | 15,447 |
| | 196,479 | 301,613 |

10. SHARE CAPITAL

| | 30 June 2017 | | 31 December 2016 | |
|--|---|-----------------------------------|---|---------------------------------|
| | Number of ordinary shares '000 | Amount HK\$'000 (Unaudited) | Number of ordinary shares '000 | Amount HK\$'000 (Audited) |
| Authorised: | | | | |
| Ordinary shares of HK\$0.01 each | 2,000,000 | 20,000 | 2,000,000 | 20,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.01 each | | | | |
| At beginning of the period/year | 600,000 | 6,000 | 600,000 | 6,000 |
| Shares issued under Pre-IPO share option scheme | 12,230 | 122 | N/A | N/A |
| At 30 June 2017 (unaudited) | 612,230 | 6,122 | 600,000 | 6,000 |

11. RELATED PARTY DISCLOSURES

During the period, the Group entered into the following significant transactions with related parties:

| Related parties | Nature of transactions | For the three months ended 30 June | | For the six months ended 30 June | |
|---------------------------|---------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| A substantial shareholder | Rental expense paid | 127 | 127 | 254 | 254 |
| Related parties | Sales of electronics products | 1,252 | 142 | 3,550 | 310 |
| | Purchase of electronic products | — | — | 16 | 579 |

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2016: HK0.5 cent) per share payable to the shareholders of the Company whose names appear on the register of members of the Company on 28 August 2017. The dividend warrants are expected to despatch to shareholders on or about 5 September 2017.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 24 August 2017 to 28 August 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 23 August 2017.

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**”), tablets, set-top box (“**STB**”), multi-media player (car infotainment system) and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

In the second quarter of 2017, sales of hi-resolution digital audio player devices such as bluetooth headsets, smartphone accessories and smart speakers increased rapidly, we benefited from the large demand of our digital audio decoder solutions.

However, the Group faced excess supply in consumer electronic market in second quarter of 2017. The market situation put downward pressure on component prices and most manufacturers kept inventory at high level. Although we recorded growth of revenue from our sales of Innolux panel solutions and Rockchip IC solutions to our customers, our gross profit margin for second quarter of 2017 was 4.0% decreased from 4.2% recorded in second quarter of 2016.

OUTLOOK

Looking forward, we are optimistic to maintain the growth momentum of the Group in 2017.

After the manufacturers cleared excess stock in consumer electronic market and our peak season in ELA market started in third quarter of 2017, our gross profit margin has become normal. Apart from promoting our mid-size Innolux panel modules for ELA, tablet and car infotainment system customers, we will also promote its small-size panel solutions to smartphone display module factories. The Group is positive on the prospect of display market for mobile phone in 2017.

Replacing analogue televisions to digital televisions have become a trend in South America and Middle East countries, which has prompted an increase in market demand for digital STB. We predict there will be large demand of our STB solutions for our customers which specifically focus business in South America and Middle East markets.

Also, the Group will continue to promote i-Catch IC solutions for the 360 degree action camera of which video image manufacturers have started mass production in the third quarter. We predict further increase of demand of our IC solutions in the second half of this year.

The Company is positive in our business development in 2017. 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 six months ended 30 June 2017, the Group achieved sales revenue of HK\$990,713,000, increased approximately 43.7% from HK\$689,473,000 recorded in the corresponding period of 2016. The increase was primarily attributable from the satisfactory sales performance of panel and IC solutions.

Gross Profit

Gross profit for the six months ended 30 June 2017 was HK\$39,053,000, increased approximately 41.5% from HK\$27,599,000 recorded in the corresponding period of 2016. Gross profit margin was 3.9% decreased from 4.0% recorded in the corresponding period of 2016.

Distribution Costs and Administrative Expenses

The Group's operating costs for the reporting period were HK\$18,198,000 (2016: HK\$13,238,000), representing an increase of approximately 37.5% compared to the corresponding period in 2016. This was mainly attributable to the increase in operating expenses such as transportation and logistics charge and staff costs incurred during the period under review.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2017 was HK\$15,190,000, increased by approximately 25.5% as compared with HK\$12,108,000 recorded in the corresponding period of 2016, which was mainly attributable to the increase in revenue during the period under review.

Liquidity and Financial Resources

As at 30 June 2017, the Group's current ratio was 121% (31 December 2016: 125%). The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations. The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 30 June 2017, the Group had bank balances and cash of HK\$111,544,000 (31 December 2016: HK\$118,242,000) and bank borrowings of HK\$357,140,000 (31 December 2016: HK\$126,583,000).

The Group recorded debtors turnover of approximately 28 days for the period under review (2016: 30 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective period, multiplied by 181 days (2016: 182 days).

The Group recorded inventory turnover and average payable period of 52 days and 44 days respectively for the period under review (2016: approximately 34 days and 46 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 30 June 2017, divided by cost of sales for the respective period and multiplied by 181 days (2016: 182 days).

GEARING RATIO

As at 30 June 2017, the Group's net gearing ratio was 211% (31 December 2016: 7.5%), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$245,596,000 (31 December 2016: HK\$8,341,000) and Group's total equity of approximately HK\$116,660,000 (31 December 2016: HK\$111,174,000).

CAPITAL STRUCTURE

Details of the movements in the Company's share capital are set out in note 10 to the condensed financial statements.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

CHARGE ON ASSETS

As at 30 June 2017, the Group's factored trade receivables with the carrying value of approximately HK\$21 million (2016: HK\$34 million) were pledged to a bank to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

The Group derives its turnover, makes purchases and incurs expenses denominated mainly in US\$, Renminbi and HK\$. Currently, the Group has not entered into agreements or purchased 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 the Group aims to achieve natural hedging by investing and borrowing in the same functional currencies.

CAPITAL COMMITMENTS

As at 30 June 2017, the Group did not have any significant capital commitments (31 December 2016: Nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2017, the Group did not hold any significant investment in equity interest in any other company and there were no material acquisitions and disposals of subsidiaries by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 June 2017.

INFORMATION ON EMPLOYEES

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. As at 30 June 2017, the employee headcount of the Group was 110 (31 December 2016: 90).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2017, 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 | 234,495,861 | 38.30 |
| Chang Wei Hua (Note 2) | Beneficial owner and interest in controlled corporation | 76,547,000 | 12.50 |
| Wei Wei (Note 3) | Beneficial owner and interest in controlled corporation | 76,547,000 | 12.50 |
| Tong Sze Chung | Beneficial owner | 300,144 | 0.05 |
| Fung Cheuk Nang, Clement | Beneficial owner | 300,000 | 0.05 |
| Tsoi Chi Ho, Peter | Beneficial owner | 300,000 | 0.05 |

Notes:

1. Mr. Yim Yuk Lun, Stanley JP beneficially owns 27,862,861 shares and is the controlling shareholder of S.A.S. Dragon; he is therefore under the SFO deemed to be interested in 206,633,000 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. Mr. Chang Wei Hua beneficially owns 300,000 shares and 76,247,000 shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. Mr. Wei Wei beneficially owns 300,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

SHARE OPTIONS

(a) 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 of 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 are 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.

| Grantees | Vesting proportion | Vesting date | Exercisable period | Exercise price per share | Options granted as at 11.10.2015 | Options lapsed during 2016 | Options lapsed during the period | Options exercised during the period | Options as at 30.6.2017 |
|---------------------------------|--------------------|--------------|----------------------|--------------------------|----------------------------------|----------------------------|----------------------------------|-------------------------------------|-------------------------|
| Directors | 50% | 6.1.2017 | 7.1.2017 to 6.1.2019 | HK\$0.31 | 2,100,000 | (300,000) | — | (1,500,000) | 300,000 |
| Directors | 50% | 6.1.2018 | 7.1.2018 to 6.1.2019 | HK\$0.31 | 2,100,000 | (300,000) | — | — | 1,800,000 |
| Others | | | | | | | | | |
| Employees and connected persons | 50% | 6.1.2017 | 7.1.2017 to 6.1.2019 | HK\$0.31 | 27,900,000 | (750,000) | (525,000) | (10,730,000) | 15,895,000 |
| Employees and connected persons | 50% | 6.1.2018 | 7.1.2018 to 6.1.2019 | HK\$0.31 | 27,900,000 | (750,000) | (525,000) | — | 26,625,000 |
| Total | | | | | 60,000,000 | (2,100,000) | (1,050,000) | (12,230,000) | 44,620,000 |

(b) Share option scheme of the Company

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

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

At as 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 60,953,000, representing approximately 10% of the number of issued shares of the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed above, at no time during the six months ended 30 June 2017 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

At 30 June 2017, 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 | 206,633,000 | 33.75 |
| S.A.S. Investment | Beneficial owner | 206,633,000 | 33.75 |

Notes:

S.A.S. Dragon deemed to be interested in the 206,633,000 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 June 2017.

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 June 2017.

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

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. As at 30 June 2017, the net proceeds from the Placing had been applied as follows:

| | Actual use of proceeds for the six months ended 30 June 2017 (HK\$'000) |
|---|--|
| Upgrade our ERP system | 178 |
| Expand our ELA business by engaging in: | |
| — R&D staff expenses | 1,024 |
| — Equipment purchases | 301 |
| Total | 1,503 |

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

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

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") through the six months ended 30 June 2017, 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.

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The chairman of the audit, remuneration and nomination was unable to attend the annual general meeting of the Company held on 19 May 2017 due to his unexpected business engagement. The Chairman of the board chaired the annual general meeting and was available to answer questions. All other members of the audit, remuneration and nomination committee attended the annual general meeting and were available to answer questions.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the unaudited consolidated financial statements for the six months ended 30 June 2017.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the six months ended 30 June 2017.

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 August 2017

As at the date of this report, the Board comprises four executive directors, namely Mr. Yim Yuk Lun, Stanley 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.