



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

Stock Code: 8113

2017

THIRD QUARTERLY REPORT



This Third Quarterly Report is printed on environmentally friendly paper

## **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\$1,691,989,000 for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: HK\$1,229,362,000).

Profit attributable to owners of the Company for the nine months ended 30 September 2017 amounted to HK\$30,057,000 (Nine months ended 30 September 2016: HK\$21,018,000).

On 8 August 2017, the Board resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 June 2017 (Six months ended 30 June 2016: HK0.5 cent). Save for such interim dividend, the Board does not recommend the payment of interim dividend for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: 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 2017 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 2017

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	701,276	539,889	1,691,989	1,229,362
Cost of sales		(670,639)	(521,100)	(1,622,299)	(1,182,974)
Gross profit		30,637	18,789	69,690	46,388
Other income		166	13	377	49
Distribution costs		(2,428)	(1,847)	(6,068)	(3,866)
Administrative expenses		(8,818)	(6,332)	(23,376)	(17,551)
Interest on bank borrowings wholly repayable within five years		(2,133)	(517)	(5,784)	(979)
Profit before taxation		17,424	10,106	34,839	24,041
Income tax expense	4	(2,557)	(1,196)	(4,782)	(3,023)
Profit for the period	6	14,867	8,910	30,057	21,018
Other comprehensive income/ (expense):					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign subsidiaries operations		3,467	—	1,872	(637)
Total comprehensive income for the period		18,334	8,910	31,929	20,381
Earnings per share (HK cents)	7				
— Basic		2.40	1.49	4.93	3.52
— Diluted		2.34	1.43	4.80	3.41

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital	Share premium	Special reserve	Translation reserve	Shareholder's			Retained profits	Total
					Dividend reserve	contribution reserve	Share option reserve		
	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	—	—	—	—	—	—	—	30,057	30,057
Exchange differences arising on translation of foreign subsidiaries operations	—	—	—	1,872	—	—	—	—	1,872
Total comprehensive (expense) income for the period	—	—	—	1,872	—	—	—	30,057	31,929
Dividend paid	—	—	—	—	(12,000)	—	—	(6,445)	(18,445)
Recognition of equity-settled share-based payment	—	—	—	—	—	—	457	—	457
Transfer	—	—	—	—	—	(448)	—	448	—
Share option exercised	235	7,998	—	—	—	—	(930)	—	7,303
At 30 September 2017	6,235	44,438	25,000	(27)	—	—	1,170	55,602	132,418
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)
Dividend 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

## 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 2017, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 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.

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group is:

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of effect HKFRS 9 until the Group performs a detail review.

### 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		For the nine months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The PRC	579,824	466,827	1,419,266	1,035,480
Hong Kong	114,779	67,179	255,445	184,443
Taiwan	6,605	4,484	16,888	7,978
Others	68	1,399	390	1,461
	<b>701,276</b>	539,889	<b>1,691,989</b>	1,229,362

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		For the nine months ended 30 September	
	2017	2016	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Customer A	75,944	92,320	180,143	190,507
Customer B	N/A*	92,716	N/A*	157,798

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

#### 4. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
	Current income tax:			
Hong Kong Profits tax	2,557	1,224	4,782	2,825
PRC Enterprise Income Tax ("EIT")	—	(28)	—	198
	2,557	1,196	4,782	3,023

Hong Kong Profits Tax has been provided at the rate of 16.5% (Nine months ended 30 September 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 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 2016: 25%).



## 5. DIVIDEND PAID

	For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interim dividend paid during the period in respect of the six months period ended 30 Jun 2017 of HK1 cent (2016: HK0.5 cent)	6,236	3,000
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
	<b>18,445</b>	49,000

## 6. PROFIT FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	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	6,020	3,342	14,119	11,348
Retirement benefit scheme contributions	486	557	1,352	1,710
Share-based payment expenses	144	377	457	1,438
Total staff costs	6,650	4,276	15,928	14,496
Auditor's remuneration	255	250	778	759
Bank interest income	(40)	(13)	(251)	(37)
Net exchange (gain)/loss	(628)	14	(381)	68
Cost of inventories recognized as an expense	652,511	514,293	1,590,397	1,159,471
Provision/(reversal) of allowance for trade receivables	564	—	564	(1,000)
Depreciation of property, plant and equipment	93	85	240	315
Operating lease rental in respect of offices and warehouses paid/payable to				
— third parties	346	322	960	876
— substantial shareholder and its subsidiaries	123	128	377	382

## 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	
	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	<b>14,867</b>	8,910	<b>30,057</b>	21,018
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	<b>619,748</b>	600,000	<b>609,166</b>	596,715
Effect of diluted potential ordinary shares in respect of share options ('000)	<b>15,921</b>	24,840	<b>16,908</b>	19,434
Weighted average number of ordinary shares or diluted earnings per share ('000)	<b>635,669</b>	624,840	<b>626,074</b>	616,149

## INTERIM DIVIDEND

On 8 August 2017, the Board resolved to declare an interim dividend of HK1 cent (2016: HK0.5 cent) per share for the six months ended 30 June 2017 to the Company's shareholders whose names appeared on the register of members of the Company on 28 August 2017. Save for such interim dividend, the board does not recommend the payment of interim dividend for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: 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"), 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.

Our customers entered its peak production season in the third quarter, our sales of Innolux panel solutions recorded significant growth in the third quarter when comparing with the corresponding period of last year. Our gross profit margin has improved after those manufacturers cleared excess panel stock in the consumer electronic market in previous quarter. Apart from high growth in the ELA market, we also recorded growth in panel solutions for mobile phones and Internet of Things (IOT) products.

We recorded satisfactory growth in promoting Cirrus Logic digital decoding IC to those manufacturers of hi-resolution digital audio players. Also, we benefited from large demand of our audio and video IC solutions from our car manufacturers for their infotainment system.

As a result, revenue of the Company for the third quarter of 2017 increased 37.6% as compared with the corresponding period of last year.

## OUTLOOK

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

We predict the smart speaker market will evolve rapidly in the recent future, our Company has formal special team for promoting smart speakers. Certain mainland and international branded smart speaker manufacturers have qualified our Rockchip IC solutions and will start their mass productions in the fourth quarter 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

Revenue for the nine months ended 30 September 2017 was HK\$1,691,989,000, increased approximately 37.6% from HK\$1,229,362,000 recorded in the corresponding period of 2016. The increase was primarily attributable to our increased sales to ELA, STB and digital audio player customers.

### Gross Profit

Gross profit for the nine months ended 30 September 2017 was HK\$69,690,000 increased approximately 50.2% from HK\$46,388,000 recorded in the corresponding period of 2016. Gross profit margin was 4.1%, increased from 3.8% recorded in the corresponding period of 2016.

### Distribution Costs and Administrative Expenses

The Group's operating costs for the nine months ended 30 September 2017 were HK\$29,444,000, increased approximately 37.5% from HK\$21,417,000 recorded in 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 nine months ended 30 September 2017 was HK\$30,057,000, increased by approximately 43.0% as compared with HK\$21,018,000 recorded in the corresponding period of 2016, which was mainly attributable to the increase in revenue and gross margin during the period under review.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 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 <i>JP</i> (Note 1)	Beneficial owner and interest in controlled corporation	234,495,861	37.61
Chang Wei Hua (Note 2)	Beneficial owner and interest in controlled corporation	76,547,000	12.28
Wei Wei (Note 3)	Beneficial owner and interest in controlled corporation	76,547,000	12.28
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 Holdings Limited ("**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 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 are remained 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 30.9.2017
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)	(22,070,000)	4,555,000
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)	(23,570,000)	33,280,000

## (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 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 9.6% 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 nine months ended 30 September 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 September 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	33.14
S.A.S. Investment	Beneficial owner	206,633,000	33.14

Note: 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 September 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 September 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 September 2017, the net proceeds from the Placing had been applied as follows:

	<b>Actual use of proceeds for the nine months ended 30 September 2017 (HK\$'000)</b>
Upgrade our ERP system	<b>178</b>
Expand our ELA business by engaging in:	
— R&D staff expenses	<b>1,378</b>
— Equipment purchases	<b>301</b>
<b>Total</b>	<b>1,857</b>

## **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**") throughout the nine months ended 30 September 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.

## **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 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 nine months ended 30 September 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 November 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.*