Hi-Level Technology Holdings Limited
揚宇科技控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8113)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017 AND CHANGE IN USE OF PROCEEDS

CHARACTERISTICS OF 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.

*This announcement, for which the directors (the "**Directors**") of Hi-Level Technology Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

	2017	2016	Change
	HK$'000	HK$'000	
Revenue	**2,254,447**	1,798,674	25.34%
Profit attributable to owners of the Company	**37,212**	30,690	21.25%
Dividend per share (HK cents)			
— Final proposed	**2.0**	2.0	
— Interim paid	**1.0**	0.5	
— Total	**3.0**	2.5	20.00%

The board of Directors (the "**Board**") of Hi-Level Technology Holdings Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 together with last year's comparative figures are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Revenue	3	**2,254,447**	1,798,674
Cost of sales		**(2,157,360)**	(1,727,490)
Gross profit		**97,087**	71,184
Other income		**448**	73
Other gain or loss		**(4,670)**	1,000
Distribution costs		**(14,676)**	(9,951)
Administrative expenses		**(24,951)**	(22,421)
Listing expenses		**—**	(1,135)
Finance costs		**(7,770)**	(1,444)
Profit before taxation		**45,468**	37,306
Income tax expense	4	**(8,256)**	(6,616)
Profit for the year	5	**37,212**	30,690
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations:			
— subsidiaries		**5,077**	(3,203)
Other comprehensive income (expense) for the year		**5,077**	(3,203)
Total comprehensive income for the year		**42,289**	27,487
Earnings per share (HK cents)	7		
— basic		**6.05**	5.14
— diluted		**5.90**	4.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Non-current Assets			
Property, plant and equipment		**639**	552
Club membership		**266**	266
		905	818
Current Assets			
Inventories		**239,349**	233,640
Trade and other receivables	8	**167,001**	190,370
Amounts due from related parties		**7,634**	1,410
Bank balances and cash		**92,377**	118,242
		506,361	543,662
Current Liabilities			
Trade and other payables	9	**197,452**	301,613
Amount due to a related party		**65**	220
Taxation payable		**4,648**	4,890
Bank borrowings		**161,282**	126,583
		363,447	433,306
Net Current Assets		**142,914**	110,356
Total Assets less Current liabilities		**143,819**	111,174
Capital and Reserves			
Share capital	10	**6,267**	6,000
Reserves		**137,552**	105,174
Total Equity		**143,819**	111,174

NOTES:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability 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 GEM of The Stock Exchange of Hong Kong Limited by way of placing (the "**Placing**") on 7 January 2016 (the "**Listing**"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The Group is principally engaged in the sales of electronic products.

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company have determined that the Group has only one operating and reportable segment throughout the year, as the Group is principally engaged in the sale of electronics products.

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

Geographical information

The following is an analysis of the Group's revenue by the geographical locations of customers.

	Revenue by Geographical market	
	2017	2016
	HK$'000	HK$'000
The People's Republic of China ("**The PRC**")	**1,862,112**	1,501,475
Hong Kong	**368,337**	280,960
Taiwan	**23,498**	13,982
Others	**500**	2,257
	2,254,447	1,798,674

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

	Carrying amount of non-current assets	
	2017	2016
	HK$'000	HK$'000
The PRC	**239**	106
Hong Kong	**666**	712
	905	818

Information about major customers

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

	2017	2016
	HK$'000	HK$'000
Customer A	**259,285**	254,730
Customer B (note)	**N/A**	231,813

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

4. INCOME TAX EXPENSE

	2017	2016
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**8,147**	6,462
PRC Enterprise Income Tax ("**EIT**")	**109**	—
	8,256	6,462
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**—**	(32)
PRC EIT	**—**	186
	—	154
Income tax expense	**8,256**	6,616

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT and its related implementation regulations, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25%, except that Shenzhen Hi-Level Technology Development Limited was recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 October 2015 such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from 2015 to 2018 and was subject to review once every three years.

5. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Director's remuneration	**4,925**	3,495
Staff costs:		
Salaries and other allowances	**20,395**	13,644
Performance related incentive payments	**1,155**	2,521
Retirement benefit scheme contributions	**1,808**	2,160
Share-based payment expenses (note i)	**467**	1,606
Total staff costs	**23,825**	19,931
	28,750	23,426
Auditor's remuneration	**1,149**	1,063
Bank interest income	**(280)**	(38)
Net exchange (gain)loss	**(311)**	520
Cost of inventories recognised as an expense	**2,105,654**	1,690,772
Reversal of allowance for inventories (note ii)	**—**	(2,548)
Allowance (Reversal of allowance) for trade receivables (included in other gain or loss)	**4,670**	(1,000)
Depreciation of property, plant and equipment	**326**	423
Operating lease rental in respect of offices and warehouses paid/payable to		
— a substantial shareholder	**384**	384
— a related party	**123**	124
— third parties	**1,294**	1,150

note:

(i) During 31 December 2017, share-based payment expenses of HK$467,000 were recognised under the pre-IPO share option scheme of the Company. During 31 December 2016, the amount represented capital contribution of HK$75,000 arising from the share options granted to the employees of the Group under the share option scheme of S.A.S. Dragon and share-based payment expenses of HK$1,531,000 under the pre-IPO share option scheme of the Company.

(ii) The reversal of allowance for inventories was included in the cost of sales during the year ended 31 December 2016 and arising from the sale of slow-moving inventories of which provision was made previously.

6. DIVIDENDS

	2017	2016
	HK$'000	HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 Interim of HK$0.01 (2016: 2016 Interim of HK$0.005) per share was declared and paid	**6,236**	3,000
2016 Final of HK$0.02 (2016: 2015 Final of HK$0.01) per share was declared and paid	**12,208**	6,000
2015 Special dividend of HK$1.60 per share, was declared and paid by Hi-Level Technology Limited to its then shareholders conditionally upon the Listing (2017: Nil)	**—**	40,000
	18,444	49,000

Note: Subsequent to the end of the reporting period, a final dividend of HK$0.02 in respect of the year ended 31 December 2017 (2016: final dividend of HK$0.02 in respect of the year ended 31 December 2016) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

7. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	HK$'000
Earnings:		
Profit for the year for the purpose of basic earnings per share	**37,212**	30,690
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**615,580**	597,534
Effect of dilutive potential shares:		
Share options	**15,117**	21,381
Weighted average number of shares for the purpose of diluted earnings per share	**630,697**	618,915

The basic earnings per share is calculated based on the assumption that the Capitalisation Issue (as detailed in Note 10(b)) has been completed on 1 January 2016.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**143,881**	166,203
Less: allowance for doubtful debts	**(4,670)**	—
	139,211	166,203
Other receivables, deposits and prepayments	**27,790**	24,167
Total trade and other receivables	**167,001**	190,370

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on due date at the end of each reporting period:

	2017	2016
	HK$'000	HK$'000
Current	**101,328**	118,883
0–30 days	**31,552**	45,931
31–60 days	**6,299**	1,214
61–90 days	**—**	175
Over 90 days	**32**	—
	139,211	166,203

9. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**181,579**	286,166
Other payables and accruals	**15,873**	15,447
Total trade and other payables	**197,452**	301,613

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

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

	2017	2016
	HK$'000	HK$'000
Current	**123,058**	210,848
0–30 days	**50,195**	65,652
31–60 days	**3,169**	9,466
Over 90 days	**5,157**	200
	181,579	286,166

10. SHARE CAPITAL

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

	Notes	**Number of Ordinary Shares**	**Amount**
			HK$
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2016, 31 December 2016 and 2017		2,000,000,000	20,000,000
Issued and fully paid:			
At 1 January 2016	(a)	100	1
Capitalisation Issue (as defined below)	(b)	449,999,900	4,499,999
Issue of new shares through the Placing	(c)	150,000,000	1,500,000
At 31 December 2016		600,000,000	6,000,000
Exercise of share options	(d)	26,660,000	266,600
At 31 December 2017		626,660,000	6,266,600
Balance presented in HKD'000			
At 31 December 2017			6,267
At 31 December 2016			6,000

Notes:

(a) As at 1 January 2016, the issued share capital of the Group represented the share capital of the Company of 100 ordinary shares of HK$0.01 each.

(b) Pursuant to the written resolution of the Company's shareholders passed on 23 December 2015, the authorised share capital of the Company was increased from the aggregate HK$50,000 divided into 5,000,000 shares of a par value of HK$0.01 each to the aggregate HK$20,000,000 divided into 2,000,000,000 shares of a par value of HK$0.01 each by creation of an additional HK$19,950,000 divided into 1,995,000,000 shares of a par value of HK$0.01 each. Pursuant to the resolution of the shareholders passed on 23 December 2015, the directors of the Company were authorised to allot and issue a total of 449,999,900 shares, in which 3,700,000 shares were issued to sponsor for settlement of listing expenses, credited as fully paid at par to the register of members of the Company at the close of business on 23 December 2015 (or as they may direct) in proportion to their respective shareholdings by way of capitalisation of the sum of approximately HK$4,499,999 (the "**Capitalisation Issue**"), standing to the credit of the share premium account of the Company as a result of the Placing, and the shares allotted and issued under this resolution ranked pari passu in all aspects with the existing issued shares. The Capitalisation Issue was completed on 7 January 2016.

(c) On 7 January 2016, 150,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.31 by way of placing. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK$1,500,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$45,000,000, before translation costs attributable to issue of new shares, were credited to share premium account.

(d) During the year ended 31 December 2017, 26,660,000 share options were exercised and converted into 26,660,000 ordinary shares at the exercise price of HK$0.31 per share.

DIVIDENDS

The Board has recommended a final dividend of HK2.0 cents per share (2016: final dividend of HK2.0 cents per share) for the year ended 31 December 2017 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK1.0 cent per share already paid, total dividend for the year is HK3.0 cents per share (2016: HK2.5 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 May 2018 to 15 May 2018 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates, should be lodged with the Company's Registrars in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 9 May 2018.

The Register of Members will be closed from 25 June 2018 to 27 June 2018 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the proposed final dividend, all transfers accompanied by the relevant share certificates, should be lodged with the Company's Registrars in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 June 2018. Dividend warrants will be dispatched on 6 July 2018.

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 electronics products such as mobile internet devices ("**MID**"), electronic learning aids ("**ELA**"), multi-media players (car infotainment system), smartphone panel modules, set-top boxes ("**STB**"), and video image devices together with the provision of IDH services to original brand manufacturers and original design manufacturers.

We have developed a strong customer base and have built stable and long term relationships with our customers. During the year under review, we had absolute competitive advantage in providing turnkey solution to our customers and recorded growth under MID, ELA, Car Infotainment System as well as Smartphone Panel Modules segments. Therefore, revenue of the Group for 2017 increased 25.34% as compared with last year.

MID

In 2017, after Qualcomm announced a smart audio platform designed to help makers develop a smart voice assistant device with the necessary hardware, software and tools. Google's Home, Amazon's Echo and Apple's HomePod are major products in the global smart home speaker market. For the PRC market, a web giant has delivered its new display-featured smart speakers bundled with our Rockchip IC solutions during the second half of 2017. During the year under review, MID segment comprises of tablet and smart home speaker products delivered the largest revenue of the Group.

Car Infotainment System

As smart car becomes popular, manufacturers started to build in Apple Car Player and Google Android Auto operating systems in their car infotainment system in 2017. Rapid advancement in technology has lead to a surge in demand of our car infotainment system solutions and we recorded significant growth of our IC and panel solutions in 2017.

ELA

In 2017, our ELA's largest customer, BBK, which has independently spun off another brand Genius to enrich its product line and expand the target customer's age to child group. Also, all our major ELA customers have launched new generation of ELA products with larger display (10.1 inches) and increased our sales of Innolux panel solutions.

Smartphone Panel Modules

Although smartphone market being mature, we recorded growth of revenue under smartphone panel module segment by providing Innolux panel module solutions to our customers. We can take advantage of good quality of Innolux LTPS panel in terms of color contrast and saturation, power consumption and production cost to get orders from our target customers.

STB

Although overall worldwide demand of STB is declining, replacing analogue televisions to digital televisions have become a trend in those developing countries, such as South America, which has prompted an increase in market demand for digital STB in that countries. We were benefited from our customers that specifically focus business in the South America markets.

Video Image Device

In 2017, video image devices such as hunting cam, sport cam, car video recorder, and drone cam showed sign of saturation. Our engineers have cooperated with our vendor's research and development teams to develop new products such as home network monitor and visual doorbell and successfully created new market demand under this segment.

OUTLOOK

Looking forward, we are still optimistic to maintain the growth momentum of the Group in 2018.

As ELA users emphasize learning tools with light, handy and wide viewing angle, our customers have successfully completed the trial production in thinned models using our in-cell processing technology solution in the second half of 2017 and will start mass production in 2018. We expect our sales of Innolux panel solutions will keep growing in 2018.

For the smartphone market, 18:9 and all-screen display will become the mainstream spec in 2018 and our supplier has rolled out these new products. We expect large demand of our new generation Innolux panel module solutions in the first half of 2018.

Also, aiming to provide total solution to our customers, we are working with the networking IC design specialist Realtek Semiconductor to develop new generation networking solutions to our MID, ELA and STB customers.

The Company is positive in our business development in 2018 and continues to look out for new product categories in the consumer electronics powered by artificial intelligence ("**AI**") or Internet-of-Things ("**IoT**"). 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 year ended 31 December 2017, the Group achieved sales revenue of HK$2,254,447,000 increased approximately 25.34% from HK$1,798,674,000 recorded in 2016. The increase was primarily attributable to our increased sales to MID, ELA, Car Infotainment System and Smartphone Panel Modules customers.

GROSS PROFIT

For the year ended 31 December 2017, gross profit was HK$97,087,000 increased 36.39% from HK$71,184,000 recorded last year. Gross profit margin was 4.31%, increased from 3.96% recorded in 2016.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2017, the Group's operating costs were HK$39,627,000 (2016: HK$32,372,000), representing an increase of approximately 22.41% compared to the corresponding period in 2016. This was mainly attributable to the increase in operating expenses such as logistics charge, finance cost and staff costs in order to cope with our revenue growth.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year ended 31 December 2017 was HK$37,212,000 increased by approximately 21.25% as compared with HK$30,690,000 recorded in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of funds are cash generated from operations and bank borrowings. As of 31 December 2017, the Group's current ratio was 139% (31 December 2016: 125%). As of 31 December 2017, the Group had bank balances and cash of HK$92,377,000 (31 December 2016: HK$118,242,000) and bank borrowings of HK$161,282,000 (31 December 2016: HK$126,583,000). As of 31 December 2017, the Group's net gearing ratio was 47.9% (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$68,905,000 (31 December 2016: HK$8,341,000) and Group's total equity of approximately HK$143,819,000 (31 December 2016: HK$111,174,000).

The Group recorded debtors turnover of approximately 25 days for the year under review (2016: 30 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective year, multiplied by 365 days.

The Group recorded inventory turnover and payable turnover of 40 days and 39 days respectively for the year 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 31 December 2017, divided by cost of sales for the respective year and multiplied by 365 days.

FOREIGN EXCHANGE RISK MANAGEMENT

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

EMPLOYEE AND REMUNERATION POLICY

As 31 December 2017, the Group employed approximately 100 employees in the Greater China region. We ensures that their remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses.

Other than medical insurance and provident fund schemes, we also offer share options to our key employees as a long-term incentive who are identified as essential to our Group's operations and future development.

USE OF PROCEED FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

It was disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and as stated in the 2017 Third Quarterly Report, the Company's net proceeds from the Placing amounted to approximately HK$30 million (based on the final placing price of HK$0.31 per share and after deducting the underwriting fees and related expenses immediately after completion of the Placing). As at the date of this announcement, approximately HK$19.1 million of the net proceeds remained unutilized. The Group originally intended to apply the net proceeds in the manner as follows:

- approximately HK$4.6 million for upgrading ERP system

- approximately HK$11.2 million for expanding our ELA business

- approximately HK$11.2 million for expanding our product range
- approximately HK$3.0 million for general working capital

As at the date of this announcement, approximately HK$4.2 million allocated for upgrading ERP system has not been utilized by the Group. We continue to seek a suitable ERP system and plan to upgrade our ERP system and related hardware for around HK$4.2 million.

As at the date of this announcement, approximately HK$8.4 million allocated for purchasing equipment has not been utilized by the Group. We are building a new R&D facility room in our new office in Shenzhen and we expect to spend around HK$8.4 million to purchase equipment and to install such R&D facility room.

In pursuing a sustainable growth for the Group, we have been looking out for new product categories in the consumer electronics market, and in particular, products involving AI and IoT. The Board has therefore resolved to change the use of approximately HK$5.6 million originally allocated for expanding our product range to wearables and smart CVRs, to be used instead for expanding our range of products involving AI and IoT.

The revised use of net proceeds from the Placing is set out as follows:

	Proposed total use of proceed *(HK$ million)*	**Actual use of proceeds up to the date of this announcement** *(HK$ million)*	**Unutilized proceeds** *(HK$ million)*	**Proposed change of use of proceeds** *(HK$ million)*
Upgrading our ERP system	4.6	0.4	4.2	—
Expanding our ELA business by engaging in:	11.2	1.9	9.3	—
— R&D staff expenses	2.5	1.6	0.9	—
— Equipment purchases	8.7	0.3	8.4	—
Expanding our product range by engaging in:	11.2	5.6	5.6	—
a) Wearables	2.8	—	2.8	(2.8)
b) Smart CVRs	2.8	—	2.8	(2.8)
c) Car Infotainment	2.8	2.8	—	—
d) Drones Wi-Fi transmission	2.8	2.8	—	—
e) AI and IoT	—	—	—	5.6
General working capital	3.0	3.0	—	—
Total	30.0	10.9	19.1	—

Save for the aforesaid changes, there is no other change of use of proceeds from the Placing allocated for other purposes as disclosed in the Prospectus.

The Board has considered the impact of the above changes in the use of net proceeds raised from the Placing and is of the view that the change in the use of net proceeds will enable the Group to meet its overall financial needs more efficiently resulting from the latest development of the Group's operation and business. The Board considers that such changes in the use of net proceeds will not adversely affect the operation and business of the Group and is in the best interests of the Company and the shareholders of the Company as a whole.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Board established the audit committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the Corporate Governance Code (the "**CG Code**").

The audit committee comprises three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement, and Mr. Tsoi Chi Ho, Peter. Mr. Shea Chun Lok, Quadrant is the chairman of the audit committee.

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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**") for the year ended 31 December 2017, except for the following deviations:

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

APPRECIATION

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

By Order of the Board
Hi-Level Technology Holdings Limited
Yim Yuk Lun, Stanley
Chairman

Hong Kong, 15 March 2018

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