

APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2017



HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4D

Half Year Report

HiTech Group Australia Limited	
A.B.N 41 062 067 878	Half Year ending 31 December 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$A
Revenues from ordinary activities	Up	19%	To	13,282,901
Underlying Profit from ordinary activities after tax attributable to members	Up	27%	To	1,069,201
Underlying Net profit for the period attributable to members	Up	27%	To	1,069,201
NTA per share	\$0.20 (31 Dec 2017)		\$0.20 (31 Dec 2016)	
Dividends (paid 14 September 2017)	Fully franked 3 cents per share			
Interim Dividend (to be paid 19/3/2018)	Fully franked 4 cents per share			
Previous corresponding period	Fully franked 2 cents/share Paid 8/9/2016			

Another Record Half Year Results for the HiTech Group

HiTech's core business is the provision of recruitment services to both the private and Australian government sectors. HiTech sources and places ICT, Finance and Office support personnel for permanent and contracting positions. We are also developing the ICT Services and Consulting business.

Revenue for the first half of FY2018 increased by 19% to \$13,282,901 over pcp (FY17: \$11,147,423).

Gross Profit increased by 9% to \$2,086,988 over pcp (FY17: \$1,906,812).

Underlying EDITDA increased by 29% to \$1,599,606 over pcp (FY17: \$1,241,978)

Underlying EBIT increased by 23% to \$1,516,411 over pcp (FY17: \$1,228,860).

Underlying NPAT increased by 27% to \$1,069,201 over pcp (FY17: \$842,459).

Our Net Tangible Assets (NTA) is \$0.20 per share.

Cash for the half year increased by 16% to \$5,943,569 over pcp (FY17: \$5,107,318).

The directors have declared a fully franked dividend of 4 cents per share, to be paid on 19 March 2018.

HiTech has significantly increased revenue and profit by winning new business primarily in the ICT contingent workforce space. HiTech remains fully prepared to take advantage of the strong demand for skilled talent and growth of the Australian economy. We are working towards winning new business in both the federal government and private corporate sector whilst ensuring that operating costs are kept to a minimum. We are determined to better utilise our proprietary candidate database to further develop the ICT Services business offering.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

		Consolidated Group	
		31 December 2017	31 December 2016
		\$	\$
Sales Revenue	2(a)	12,894,688	10,990,856
Cost of Sales	3	(10,807,700)	(9,084,044)
Gross Profit		2,086,988	1,906,812
Other revenue	2(b)	388,213	73,942
Unrealised gain/(loss) on financial assets		-	82,625
Marketing expense		(18,006)	(17,567)
Occupancy expense		(79,261)	(64,478)
Administration expense		(757,121)	(607,917)
Insurance and legal expenses		(40,143)	(26,246)
Other expenses from ordinary activities		(48,667)	(26,106)
Profit before income tax		1,532,003	1,321,065
Income tax expense		(462,802)	(395,981)
Net profit attributable to members of the parent entity		1,069,201	925,084
Other comprehensive income		-	-
Total comprehensive income for half year		1,069,201	925,084
Earnings per share:			
Basic earnings (cents per share)		3.04	2.98
Diluted earnings (cents per share)		3.04	2.98

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT HALF-YEAR ENDED 31 DECEMBER 2017**

	Notes	Consolidated Group 31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		5,943,569	5,206,732
Trade and other receivables		2,142,511	2,611,093
Other current assets		38,454	228,740
TOTAL CURRENT ASSETS		8,124,534	8,046,565
NON-CURRENT ASSETS			
Plant and equipment	4	193,132	207,592
Deferred tax assets		63,207	63,207
Intangible assets		2,193	2,379
Other non-current assets		69,375	24,063
TOTAL NON-CURRENT ASSETS		327,907	297,241
TOTAL ASSETS		8,452,441	8,343,806
CURRENT LIABILITIES			
Trade and other payables		1,288,927	1,153,322
Provision for taxation		243,413	240,399
Other current liability		-	74,557
Short-term provisions	5	126,848	107,738
TOTAL CURRENT LIABILITIES		1,659,188	1,576,016
NON-CURRENT LIABILITIES			
Long Term Provisions		113,716	102,954
TOTAL NON-CURRENT LIABILITIES		113,716	102,954
TOTAL LIABILITIES		1,772,904	1,678,970
NET ASSETS		6,679,537	6,664,836
EQUITY			
Issued capital	6	3,100,213	3,100,213
Reserves		185,638	185,637
Retained Profits		3,393,686	3,378,986
TOTAL EQUITY		6,679,537	6,664,836

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Issued Capital Ordinary \$	Retained Profits/ (Accumulated Losses) \$	Employee Equity-settled benefits Reserve \$	Total \$
Balance at 1/7/2016	2,869,213	2,743,565	340,905	5,953,683
Employee share options – value of employee services	-	-	20,733	20,733
Total Dividends paid for the half year	-	(620,000)	-	(620,000)
Total comprehensive income for the half year	-	925,084	-	925,084
Balance at 31/12/2016	<u>2,869,213</u>	<u>3,048,649</u>	<u>361,638</u>	<u>6,279,500</u>
Balance at 1/7/2017	3,100,213	3,378,985	185,638	6,664,836
Total Dividends paid for the half year	-	(1,054,500)	-	(1,054,500)
Total comprehensive income for the half year	-	1,069,201	-	1,069,201
Balance at 31/12/2017	<u>3,100,213</u>	<u>3,393,686</u>	<u>185,638</u>	<u>6,679,537</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Group	
	31 December 2017	31 December 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	15,072,218	13,316,520
Payments to suppliers and employees	(12,723,118)	(12,113,821)
Interest received	15,592	9,580
Income tax paid	(459,789)	(514,261)
Net cash provided by operating activities	<u>1,904,903</u>	<u>698,018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment	(45,313)	(1,253,721)
Sale of financial assets at fair value through profit and loss	-	1,960,741
Purchase of plant & equipment, motor vehicle	(68,253)	(86,424)
Net cash (used in)/ provided by investing activities	<u>(113,566)</u>	<u>620,597</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,054,500)	(620,000)
Net cash used in financing activities	<u>(1,054,500)</u>	<u>(620,000)</u>
Net increase in cash held	736,837	698,615
Cash at the beginning of the half year	5,206,732	4,408,703
Cash at the end of the half year	<u>5,943,569</u>	<u>5,107,318</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

a) Reporting Entity

HiTech Group Australia Limited ("HiTech" or the "Company") is a public Company Limited by shares, incorporated and domiciled in Australia. These consolidated half year financial report of the Company as at and for the half-year ended 31 December 2017 comprises the Company and its controlled entities (together referred to as the "Group" and individually as the "Group entities").

It is also recommended that these half-year financial reports be read in conjunction with the annual financial reports for the year ended 30 June 2017 and public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

b) Statement of compliance

The consolidated half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. It does not include full disclosure of the type normally included in annual financial statements.

The accounting policies applied by the Group in this consolidated half-year financial report are the same as those applied by the Group in its consolidated financial report, as at and for the year ended 30 June 2017.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 15 February 2018.

c) Basis of measurement

The consolidated half year financial reports have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

d) New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

2. REVENUE

	Half year ended	
	31 December 2017	31 December 2016
	\$	\$
Revenue from operating activities		
(a) Contracting and permanent placement revenue	12,894,688	10,990,856
(b) Other Revenue		
- Interest received - other entities	15,592	9,580
- Dividends received – other entities	-	-
- Gain on sale of shares	-	64,362
- Fair value gain on financial assets at fair value through profit and loss	-	82,625
- Sundry Income	372,621	-
	13,282,901	11,147,423

3. EXPENSES

	Half year ended	
	31 December 2017	31 December 2016
	\$	\$
Cost of providing services	10,807,700	9,084,044
Rental expenses on operating leases		
- Minimum lease payments	64,644	53,760
Depreciation and amortisation of non-current assets		
- Plant and equipment	76,082	3,651
- Motor vehicles	6,631	8,853
- Software	482	614
Net transfers to provisions – employee benefits	29,871	38,086
Share based employee benefits	-	20,733
Fair value losses on financial assets at fair value through profit and loss	-	-

4. PLANT AND EQUIPMENT

	Plant & Equipment	Consolidated Entity		
		Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 30 June 2017				
Cost or fair value	387,726	32,453	84,530	504,709
Accumulated depreciation	(232,962)	(32,453)	(31,702)	(297,117)
Net book value	154,764	-	52,828	207,592
Half Year ended 31 December 2017				
Opening net book balance	154,764	-	52,828	207,592
Additions	20,191	48,061	-	68,252
Disposals	-	-	-	-
Depreciation charge	(72,925)	(3,157)	(6,630)	(82,712)
Net book balance	102,030	44,904	46,198	193,132
As at 31 December 2017				
Cost or fair value	407,917	80,514	84,530	572,961
Accumulated depreciation	(305,887)	(35,610)	(38,332)	(379,829)
Net book value	102,030	44,904	46,198	193,132

5. CURRENT PROVISIONS

Current provisions are for staff entitlements and accrued expenses expected to be settled with twelve months.

6. EQUITY SECURITIES

No shares were issued in the current reporting period. A total of 4.15 million shares were issued in the previous financial year. There were 31.0 million listed shares on issue. There are currently 35.15 million listed shares on issue.

7. NTA BACKING

	Half year ended	
	31 December 2017	31 December 2016
	\$	\$
Net tangible asset backing per ordinary security (per share)	0.20	0.20

8. CONTINGENT LIABILITIES

There are no contingent liabilities at balance date. There were no contingent liabilities in the previous corresponding period.

9. EVENTS SUBSEQUENT TO REPORTING DATE

There are no circumstances that have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

10. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

The group has not gained or lost control over any entity during the financial period.

11. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The group has no associate or joint venture entities.

12. RELATED PARTIES DISCLOSURES

For the whole of the half year period, Elias Hazouri provided his services to HiTech Group Australia Limited as a contractor on a commercial basis with payments being made to Aitchandar Trust an entity controlled by Elias Hazouri.

All other arrangements with related parties are consistent with those disclosed in the 2017 Annual Report.

13. COMMENTARY ON RESULTS FOR THE PERIOD

General

The group's core business is in recruitment of permanent and contracting ICT professionals. We have won new business which led to increasing our revenue and profit.

EPS

Basic earnings per share for the first half of the current financial year were 3.04 cents per share compared to 2.98 cents per share in the previous corresponding period.

Segment Information

The consolidated entity reports to management and allocates resources on a single reporting entity basis.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large proprietary database of over 360,000 specialised and skilled professionals that have been secured through a strategy of multiple sourcing tools and networking drives. HiTech's candidate database is the primary source of skilled professionals that we draw upon to fulfil our clients' personnel demands. This is a proprietary database that is invaluable to our business and ensures we maintain our sustainable competitive advantage in the market place. This same database is utilised to resource our ICT Services business.

The HiTech Client base of over 300 active corporate and government clients is well established, with strong representation by high technology companies, banking/financial services companies plus Federal Government departments and agencies. HiTech has also entered into preferred supplier agreements for the supply of staff in both the public and private sectors.

ICT contracting, comprising the provision of ICT professionals for temporary and other non-permanent staffing needs of clients for specific projects has continued to supply HiTech with strong cash flow. ICT contracting is viewed as a relatively higher volume business with lower margins. We have worked on reducing low margin contracting business and building higher margin contract opportunities. This strategy has delivered favourable results without the need to significantly increase the operating cost base.

Factors which are likely to affect results in the future

While there is still a relatively short supply of good quality candidates, any potential drop in ICT resources demand will result in lower margins and downward pressure on permanent placement numbers.

We continue to explore participation in the rationalisation of the recruitment and ICT industries. We have looked and are still looking at potential acquisitions that are EPS accretive and suit our criteria.

We have retained our preferred supplier status with our valued clients, increased our client base and are working towards further developing these relationships. We are constantly evolving and improving our systems and productivity to provide a better service to our clients and candidates.

HiTech has tendered for private and government recruitment business recently and has been successful. We expect to secure further contracts in the near future and win more business as the economy continues to grow.

14. REVIEW OF ACCOUNTS

This report is based on accounts that have been reviewed and are not subject to dispute or qualification. Copies of the review report and independence declaration from Raymond Yi Kuen Lee are attached.



Ray Hazouri
Director

Sydney, 15 February 2018



HiTech Group Australia Limited DIRECTORS' REPORT

The directors of HiTech Group Australia Limited ("HiTech Group" or "the company") submit herewith the financial report of the consolidated entity for the half-year ended 31 December 2017. To comply with the provisions of the Corporations Act 2001, the directors report the following:

Directors

The names of directors of the company during or since the end of the half-year are:

Mr Raymond Hazouri, Chairman
Mr Elias Hazouri, Chief Executive Officer
Mr George Shad

Principal activities

The consolidated entity's principal activity, during the financial year, was the supply of recruitment services for permanent and contract staff to the ICT sector.

Review of operations

HiTech's core business is the provision of recruitment services to both the private and Australian government sectors. HiTech sources and places ICT, Finance and Office support personnel for permanent and contracting positions.

The directors are pleased to release to the market HiTech's half yearly FY2018 results. The details are as follows:

Revenue for the first half of FY2018 increased by 19% to \$13,282,901 over pcp (FY17: \$11,147,423).

Gross Profit increased by 9% to \$2,086,988 over pcp (FY17: \$1,906,812).

Underlying EDITDA increased by 29% to \$1,599,606 over pcp (FY17: \$1,241,978)

Underlying EBIT increased by 23% to \$1,516,411 over pcp (FY17: \$1,228,860).

Underlying NPAT increased by 27% to \$1,069,201 over pcp (FY17: \$842,459).

Our Net Tangible Assets (NTA) is \$0.20 per share.

Cash for the half year increased by 16% to \$5,943,569 over pcp (FY17: \$5,107,318).

This substantial improvement in results is, primarily, due to new business and stronger contracting numbers.

HiTech remains fully prepared to take advantage of the strong demand for talent and potential growth of the Australian economy. We are working towards winning new ICT business in both the federal government and private corporate sector whilst ensuring that operating costs are kept to a minimum.

HiTech has a proven business model that has evolved over the past 25 years. Our major revenue is still generated from our core ICT recruitment business and we are active in non-ICT areas of recruitment. We have been active in securing clients all around Australia.

Outlook for FY2018

The outlook for the full FY2018 is positive with significantly increased revenue and profit results expected, commensurate with these results, depending primarily on the prevailing economic conditions continuing during that time. Our significant, but steady, growth is expected to continue in the second half and beyond.

Auditor's declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached.

Signed in accordance with a resolution of the directors

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'R. Hazouri', written in a cursive style.

R. Hazouri,
Director

Sydney, 15 February 2018

HiTech Group Australia Limited DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



R Hazouri
Director

Sydney, 15 February 2018