APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2016

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 ended 31 December 2016**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$A
Revenues from ordinary activities	Up	**36%**	**To**	**11,147,423**
Profit from ordinary activities after tax attributable to members	Up	**33%**	**To**	**925,084**
Net profit for the period attributable to members	Up	**33%**	**To**	**925,084**
NTA per share	$0.20 (31 Dec 2016)		$0.14 (31 Dec 2015)	
Dividends (paid 23 September 2016)	Fully franked 2 cents per share			
Interim dividend	No interim dividend proposed.			
Previous corresponding period	Nil		Nil	

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 FY2017 increased by 36% to $11,147,423 primarily due to stronger contracting numbers, compared to $8,172,099 for the previous corresponding period (pcp).

Gross Profit increased by 21% to $1,906,812 over pcp (FY16: $1,578,146).

EDITDA increased by 32% to $1,324,603 over pcp (FY16: $997,255).

EBIT increased by 32% to $1,311,485 over pcp (FY16: $987,066).

Net profit before tax increased by 34% to $1,321,065 over pcp (FY16: $987,565).

Net profit after tax (NPAT) increased by 33% to $925,084 over pcp (FY16: $695,263).

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

Cash for the half year increased by 52% to $5,107,318 over pcp (FY16: $3,358,788)

Dividends recognised and paid by the company in the half-year ended 31 December 2016 were 2 cents per share.

HiTech has increased revenue and profit by winning new business. HiTech remains fully prepared to take advantage of the recruitment market 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 and Consulting business offering.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Consolidated Group	
		31 December 2016 $	31 December 2015 $
Sales Revenue	3(a)	10,990,856	8,145,745
Cost of Sales	4	(9,084,044)	(6,567,599)
Gross Profit		*1,906,812*	*1,578,146*
Other revenue	3(b)	73,942	26,354
Unrealised gain/(loss) on financial assets	3(b)	82,625	(13,713)
Marketing expense		(17,567)	(59,416)
Occupancy expense		(64,478)	(62,100)
Administration expense		(607,917)	(425,808)
Insurance and legal expenses		(26,246)	(27,785)
Other expenses from ordinary activities		(26,106)	(28,113)
Profit before income tax		1,321,065	987,565
Income tax expense		(395,981)	(292,302)
Net profit attributable to members of the parent entity		925,084	695,263
Other comprehensive income		-	-
Total comprehensive income for half year		925,084	695,263
Earnings per share:			
Basic earnings (cents per share)		2.98	2.24
Diluted earnings (cents per share)		2.98	2.24

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 2016

	Notes	Consolidated Group 31 December 2016 $	Consolidated Group 30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		5,107,318	4,408,703
Trade and other receivables		1,967,628	3,082,699
Financial assets at fair value through profit and loss		-	560,036
Other current assets		225,422	14,422
TOTAL CURRENT ASSETS		7,300,368	8,065,860
NON-CURRENT ASSETS			
Plant and equipment	5	143,686	70,674
Deferred tax assets		52,861	52,861
Intangible assets		2,570	2,277
Other non-current assets		24,063	24,063
TOTAL NON-CURRENT ASSETS		223,180	149,875
TOTAL ASSETS		7,523,548	8,215,735
CURRENT LIABILITIES			
Trade and other payables		466,449	1,417,771
Provision for taxation		632,422	750,702
Short-term provisions	6	93,597	63,543
TOTAL CURRENT LIABILITIES		1,192,468	2,232,016
NON-CURRENT LIABILITIES			
Long Term Provisions		51,580	30,036
TOTAL NON-CURRENT LIABILITIES		51,580	30,036
TOTAL LIABILITIES		1,244,048	2,262,052
NET ASSETS		6,279,500	5,953,683
EQUITY			
Issued capital	7	2,869,213	2,869,213
Reserves		361,638	340,905
Retained Profits		3,048,649	2,743,565
TOTAL EQUITY		**6,279,500**	**5,953,683**

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 2016

	Issued Capital Ordinary $	Retained Profits/ (Accumulated Losses) $	Employee Equity-settled benefits Reserve $	Total $
Balance at 1/7/2015	2,869,213	571,797	308,489	3,749,499
Total comprehensive income for the half year	-	695,263	-	695,263
Balance at 31/12/2015	2,869,213	1,267,060	308,489	4,444,762
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	2,869,213	3,048,649	361,638	6,279,500

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Consolidated Group	
	31 December 2016 $	31 December 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	13,316,520	3,417,912
Payments to suppliers and employees	(12,113,821)	(1,854,859)
Interest received	9,580	6,852
Dividends received	-	498
Income tax paid	(514,261)	-
Net cash provided by operating activities	**698,018**	**1,570,403**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit and loss	(1,253,721)	-
Sale of financial assets at fair value through profit and loss	1,960,741	-
Proceeds of disposal of motor vehicle	-	23,530
Purchase of plant & equipment, motor vehicle	(86,424)	(73,875)
Net cash (used in)/ provided by investing activities	**620,597**	**(50,345)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(620,000)	-
Net cash used in financing activities	(620,000)	-
Net increase in cash held	698,615	1,520,058
Cash at the beginning of the half year	4,408,703	1,838,730
Cash at the end of the half year	**5,107,318**	**3,358,788**

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Summary of Significant Accounting Policies
The condensed consolidated financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and activities of the consolidated entity as the full financial report. It is recommended this condensed consolidated financial report be read in conjunction with the most recent annual financial report.

It is also recommended that the condensed consolidated financial report be considered together with any public announcements made during the half year to 31 December 2016 in accordance with the continuous disclosure obligations within the Corporations Act 2001.

b) Basis of Preparation
The condensed consolidated financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, applicable Accounting Standards (including AASB 134 Interim Financial Reporting) and other mandatory professional reporting requirements.

The condensed consolidated financial statements 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.

c) New and Amended Standards Adopted
A number of new or amended standards became applicable for the current reporting period however there are no changes to accounting policies or retrospective adjustments as a result of adopting these standards.

d) Impact of Standards Issued but not yet Applied
AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. When adopted the standard will affect accounting for available-for-sale financial assets since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognized directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities as the new requirements only affect the accounting of financial liabilities that are designated at fair value through profit or loss and there are no such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instrument: Recognition and Measurement and have not been changed.

e) Principles of Consolidation
The consolidated financial statements incorporate all the assets, liabilities and results of the parent HiTech Group Australia Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary companies of HiTech Group Australia Limited are HiTech Contracting Pty Ltd and eConsulting Pty Ltd.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the group from the date on which control is obtained by the group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealized gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the group.

2. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

– AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)

3. REVENUE

	Half year ended 31 December 2016 $	31 December 2015 $
Revenue from operating activities		
(**a) Contracting and permanent placement revenue**	10,990,856	8,145,745
(**b) Other Revenue**		
- Interest received - other entities	9,580	498
- Dividends received – other entities	-	9,788
- Gain on sale of shares	64,362	13,500
- Fair value gain on financial assets at fair value through profit and loss	82,625	-
- Sundry Income	-	2,568
	11,147,423	8,172,099

All share/financial asset investments were disposed of in July 2016. The financial assets investments value is Nil.

4. EXPENSES

	Half year ended 31 December 2016 $	31 December 2015 $
Cost of providing services	9,084,044	6,567,599
Rental expenses on operating leases		
- Minimum lease payments	53,760	46,656
Depreciation and amortisation of non-current assets		
- Plant and equipment	3,651	2,522
- Motor vehicles	8,853	6,436
- Software	614	840
Net transfers to provisions – employee benefits	38,086	18,840
Share based employee benefits	20,733	-
Fair value losses on financial assets at fair value through profit and loss	-	13,713

5. PLANT AND EQUIPMENT

	Consolidated Entity			
	Plant & Equipment $	Leasehold Improvements $	Motor vehicles $	TOTAL $
As at 30 June 2016				
Cost or fair value	232,947	32,453	70,894	336,294
Accumulated depreciation	(219,075)	(32,453)	(14,092)	(265,620)
Net book value	13,872	-	56,802	70,674
Half Year ended 31 December 2016				
Opening net book balance	13,872	-	56,802	70,674
Additions	71,880	-	13,636	85,516
Disposals	-	-	-	-
Depreciation charge	(3,651)	-	(8,853)	(12,504)
Net book balance	82,101	-	61,585	143,686
As at 31 December 2016				
Cost or fair value	304,827	-	84,530	389,357
Accumulated depreciation	(222,726)	-	(22,945)	(245,671)
Net book value	82,101	-	61,585	143,686

6. CURRENT PROVISIONS

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

7. EQUITY SECURITIES

No shares were issued in the reporting period or in the previous financial year. There were 31 million listed shares on issue as at 31/12/16. There are currently 34.9 million listed shares on issue.

8. SHARE-BASED PAYMENTS

3,150,000 Ordinary Share Options were issued under the Employee Share Plan with an issue date of 25 November 2016 and exercise price of $0.22.

Option series	No.	Grant Date	Expiry date	Exercise Price $
Issued 11/2016	2,900,000	25/11/2016	25/11/2020	0.22
Issued 11/2016	250,000	25/11/2016	25/11/2019	0.22
	3,150,000			

9. NTA BACKING

	Half year ended 31 December 2016 $	31 December 2015 $
Net tangible asset backing per ordinary security (per share)	0.20	0.14

10. CONTINGENT LIABILITIES

There are no contingent liabilities and contingent liabilities at balance date.

11. 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.

12. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

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

13. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The group has no associate or joint venture entities.

14. 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 2016 Annual Report.

15. 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 2.98 cents per share compared to 2.24 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 350,000 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.

16. 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, 14 February 2017