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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**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.

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 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

The Group recorded a revenue of approximately HK\$689,473,000 for the six months ended 30 June 2016 (Six months ended 30 June 2015: approximately HK\$505,627,000).

Profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately HK\$12,108,000 (Six months ended 30 June 2015: approximately HK\$8,929,000).

The Board has resolved to declare an interim dividend of HK0.5 cents per share.

The board of directors (the “Board”) of Hi-Level Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016, together with comparative figures for the previous period, as follows:

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

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Audited)
Revenue	2	689,473	505,627
Cost of sales		(661,874)	(484,664)
Gross profit		27,599	20,963
Other income		36	363
Distribution costs		(2,019)	(1,717)
Administrative expenses		(11,219)	(8,889)
Interest on bank borrowings wholly repayable within five years		(462)	(460)
Profit before tax		13,935	10,260
Income tax expense	3	(1,827)	(1,331)
Profit for the period	5	12,108	8,929
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(637)	—
Total comprehensive income for the period		11,471	8,929
Earnings per share (HK cents)	6		
– Basic		2.03	1.98
– Diluted		1.98	1.98

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		664	328
Club memberships		266	266
		<u>930</u>	<u>594</u>
Current Assets			
Inventories		153,469	84,725
Trade and other receivables	7	176,176	160,771
Amount due from a fellow subsidiary		–	27,927
Bank balances and cash		34,928	54,443
		<u>364,573</u>	<u>327,866</u>
Current Liabilities			
Trade and other payables	8	190,311	182,465
Amount due to a fellow subsidiary		343	4,153
Tax payable		2,147	2,448
Bank borrowings		75,961	50,865
		<u>268,762</u>	<u>239,931</u>
Net Current Assets		<u>95,811</u>	<u>87,935</u>
Total assets less current liabilities		<u><u>96,741</u></u>	<u><u>88,529</u></u>
Capital and Reserves			
Share capital	9	6,000	–
Share premium		35,680	–
Reserves		55,061	88,529
Total Equity		<u><u>96,741</u></u>	<u><u>88,529</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 September 2015 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Board”) on 7 January 2016.

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 2016, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the six months ended 30 June 2016 are consistent with those of the annual financial statements for the year ended 31 December 2015, 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 2015.

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.

2. REVENUE

Revenue represents the sales of electronics products 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 six months ended 30 June	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
The PRC	568,653	437,278
Hong Kong	117,264	67,544
Taiwan	3,494	788
Others	62	17
	689,473	505,627

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

	Revenue from customer Individually contributing over 10% of the Group's revenue For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Customer A	98,187	85,902

3. INCOME TAX EXPENSE

The amount of income tax charged to the profit or loss represents:

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current tax:		
Hong Kong Profits Tax	1,601	1,331
PRC Enterprise Income Tax	226	—
	1,827	1,331

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 30 June 2015: 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% (Six months ended 30 June 2015: 25%).

4. DIVIDEND PAID

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Final dividend paid during the period in respect of the previous financial year of HK1 cent (2015: Nil)	6,000	–
Final dividend paid during the period by Hi-Level Technology Limited (“Hi-Level Hong Kong”), a wholly-owned subsidiary of the Company, to its then shareholders (<i>Note</i>)	–	6,000
Special dividend in respect of the year ended 31 December 2015 of HK\$1.60 per share, was declared by Hi-Level Hong Kong to its then shareholders conditionally upon listing of the shares of the Company (2015: Nil)	40,000	–
	<u>46,000</u>	<u>6,000</u>

Note: During six months period ended 30 June 2015, a final dividend in respect of the year ended 31 December 2014 of HK24 cents per share, or in aggregation of HK\$6,000,000, was paid by Hi-Level Hong Kong to its then shareholders.

5. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging (crediting):		
Director's salary	1,486	921
Staff costs:		
Salaries and other allowances	6,520	7,385
Retirement benefit scheme contributions	1,153	559
Share-based payment expenses (<i>note</i>)	1,061	79
Total staff costs	8,734	8,023
Auditor's remuneration	509	107
Bank interest income	(24)	(15)
Net exchange (gain) loss	54	(219)
Cost of inventories recognized as an expense	645,178	464,336
Reversal of allowance for trade receivables	(1,000)	(118)
Depreciation of property, plant and equipment	230	121
Operating lease rental in respect of offices and warehouses paid/payable to		
– immediate holding company	–	192
– fellow subsidiaries	–	66
– third parties	554	560
– substantial shareholder and its subsidiaries	254	–

Note: It represents capital contribution of HK\$38,000 (2015: Nil) arising from the share options granted to the employees of the Group under the share option scheme of S.A.S. Dragon Holdings Limited (“S.A.S. Dragon”) and HK\$1,023,000 arising from the Pre-IPO Share Option Scheme of the Company during the period.

6. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	12,108	8,929
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	595,055	450,000
Effect of diluted potential ordinary shares in respect of share options ('000)	15,079	—
Weighted average number of ordinary shares for diluted earnings per share ('000)	610,134	450,000

7. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

	30 June 2016	31 December 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current	95,794	82,723
Within 30 days	28,554	31,843
More than 30 days and within 60 days	5,828	9,517
More than 60 days and within 90 days	2,096	4,955
More than 90 days	1,984	2,113
	134,256	131,151
Other receivables, deposits and prepayments	41,920	29,620
Total trade and other receivables	176,176	160,771

8. TRADE AND OTHER PAYABLES

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Current	96,486	95,647
Within 30 days	52,949	46,130
More than 30 days and within 60 days	14,502	9,161
More than 60 days and within 90 days	3,442	–
More than 90 days	10,892	297
	178,271	151,235
Other payables and accruals	12,040	31,230
	190,311	182,465

9. SHARE CAPITAL

	Number of Ordinary shares	Amount (HK\$)
Ordinary shares of HK\$0.01 each		
Authorized:		
At 18 September 2015 (date of incorporation)	5,000,000	50,000
Increase in authorized share capital	1,995,000,000	19,950,000
At 31 December 2015	2,000,000,000	20,000,000
Issued and fully paid:		
Issue of shares at 18 December 2015 (date of incorporation upon the Reorganization)	1	–
Issue of shares	99	1
At 31 December 2015	100	1
At 1 January 2016	100	1
Issue of shares by way of placing	150,000,000	1,500,000
Capitalisation issue	449,999,900	4,499,999
At 30 June 2016 (Unaudited)	600,000,000	6,000,000

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK0.5 cents per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 29 August 2016. The dividend warrants are expected to despatch to shareholders on or about 6 September 2016.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 25 August 2016 to 29 August 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 24 August 2016.

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"), mobile internet device ("MID"), set-top box, multi-media player and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

We offered specific consumer electronic product solutions and provided tailored made panel solutions to our customers. During the period under review, we recorded major growth of revenue under ELA by providing the Innolux panel and Rockchip IC solutions to our customers.

Apart from receiving continuing orders of our Innolux panels from BBK and the supply chain of Lenovo, we also secured orders from VTech educational computer supply chain. Therefore, revenue of the Company for the first half of 2016 increased 36.4% as compared with the corresponding period of last year.

OUTLOOK

Despite the deceleration of economic growth in China, the Company is positive in our business developments in second half of 2016.

Our customers adopted Rockchip IC solutions for Huawei and Alibaba over the top (OTT) products. As OTT content (the delivery of audio, video, and other media over the Internet without the involvement of a multiple-system operator in the control or distribution of content) continues to grow in popularity, we predict that there will be large demand of our Rockchip IC solutions applied to OTT products.

Regarding solutions for virtual reality (VR), several of our customers will start mass production of low cost VR headsets for games, educational simulators and trainer platforms in third quarter. We predict to record significant shipment growth of our Rockchip IC solutions in second half of 2016.

Also, we predict there will be a large demand of our Cirrus logic IC for audio and voice signal processing solutions applied to Apple's accessories, such as digital earphones and amplifiers, after the launching of new generation of Apple iPhone in second half of 2016.

The Company is positive in our business developments in 2016. We are confident in the Company's positioning and competitiveness. The Group will also allocate more resources on other focus products, such as wearable device, drone and smart home appliance products.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the Group achieved sales revenue of HK\$689,473,000, increased approximately 36.4% from HK\$505,627,000 recorded in the corresponding period of 2015. The increase was primarily attributable to our increased sales to ELA and set-top box customers.

Gross Profit

Gross profit for the six months ended 30 June 2016 was HK\$27,599,000 approximately 31.7% from HK\$20,963,000 recorded in the corresponding period of 2015. Gross profit margin was 4.0% decreased from 4.1% recorded in the corresponding period of 2015.

Distribution Costs and Administrative Expenses

The Group's operating costs for the reporting period were HK\$13,238,000 (2015: HK\$10,606,000), representing an increase of approximately 24.8% compared to the corresponding period in 2015. This was mainly attributable to the increase in operating expenses such as transportation and logistics charge, staff costs, audit fee and compliance advisor fee incurred during the period under review.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2016 was HK\$12,108,000 by approximately 35.6% as compared with HK\$8,929,000 recorded in the corresponding period of 2015, which was mainly attributable to the increase in revenue during the period under review.

Liquidity and Financial Resources

As at 30 June 2016, the Group's current ratio was 136% (31 December 2015: 137%). The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations. The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 30 June 2016, the Group had bank balances and cash of HK\$34,928,000 (31 December 2015: HK\$54,443,000) and bank borrowings of HK\$75,961,000 (31 December 2015: HK\$50,865,000).

The Group recorded debtors turnover of approximately 35 days for the period under review (2015: 30 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective period, multiplied by 182 days (2015: 181 days).

The Group recorded inventory turnover and average payable period of 33 days and 45 days respectively for the period under review (2015: approximately 19 days and 40 days respectively) based on the amount of inventory and creditors as at 30 June 2016, divided by cost of sales for the respective period and multiplied by 182 days (2015: 181 days).

GEARING RATIO

As at 30 June 2016, the Group's net gearing ratio was 42.4% (31 December 2015: 0%), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$41,033,000 (31 December 2015: HK\$0) and Group's total equity of approximately HK\$96,741,000 (31 December 2015: HK\$88,529,000).

CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 7 January 2016. There has been no change in the capital structure of the Group during the six months ended 30 June 2016. The capital of the Company only comprises of ordinary shares.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities (31 December 2015: Nil).

CHARGE ON ASSETS

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

FOREIGN CURRENCY RISK

Our functional currency is USD and our reporting currency is HKD, but our business transactions are denominated in various currencies, including USD, HKD and RMB, which expose us to foreign exchange risk. We are exposed to foreign currency risk through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate or the reporting currency of the Group. Any significant changes in the currency rates between our functional currency, reporting currency and the other currencies may result in losses for us and could adversely affect our business, results of operations and financial condition.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group did not have any significant capital commitments (31 December 2015: Nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2016, our Group did not hold any significant investment in equity interest in any other company and there were no material acquisitions and disposals of subsidiaries by our Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Our Group did not have other plans for material investments or capital assets as at 30 June 2016.

INFORMATION ON EMPLOYEES

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. As at 30 June 2016, the employee headcount of the Group was 93 (31 December 2015: 90).

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Alliance Capital Partners Limited ("Alliance"), compliance adviser of the Company, Alliance had 1,400,000 shares of the Company as at 30 June 2016.

Save as disclosed above, neither Alliance nor any of its close associates and none of the directors or employees of Alliance had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2016.

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

During the period under review, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$30 million. As at 30 June 2016, the net proceeds from the Placing had been applied as follows:

	Actual use of proceeds for the six months ended 30 June 2016 (HK\$'000)
Upgrade our ERP system	131
Expand our ELA business by engaging in:	
– R&D staff expenses	124
– Equipment purchases	301
Total	556

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

Throughout the period from the Listing Date to 30 June 2016, 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") 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 and the unaudited consolidated financial statements for the six months ended 30 June 2016.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the “Code of Conduct”) regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the six months ended 30 June 2016.

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
Chairman

Hong Kong, 9 August 2016

As at the date of this announcement, the Board comprises four executive directors are Mr. Yim Yuk Lun, Stanley, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung; one non-executive Director is Mr. Lau Ping Cheung and three independent non-executive directors are Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.hi-levelhk.com.