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## HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED

### 高銳中國物聯網國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1682)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

### ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Highlight China IoT International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2017 with the comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	2	80,992	164,589
Cost of sales		<u>(75,968)</u>	<u>(151,689)</u>
Gross profit		5,024	12,900
Other income		606	158
Net foreign exchange (losses) gain		(45)	103
Impairment loss recognised in respect of plant and equipment		–	(1,081)
Selling and distribution costs		(1,164)	(14,161)
Administrative expenses		(15,864)	(18,252)
Other expense		<u>–</u>	<u>(4,444)</u>
Loss before taxation		(11,443)	(24,777)
Income tax credit	4	<u>–</u>	<u>20</u>
Loss and total comprehensive expense for the year attributable to owners of the Company	5	<u><u>(11,443)</u></u>	<u><u>(24,757)</u></u>
Loss per share	7		
Basic (HK cents)		<u><u>(2.20)</u></u>	<u><u>(4.76)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
<b>Non-current asset</b>			
Plant and equipment		—	—
<b>Current assets</b>			
Inventories		—	4,140
Trade receivables	8	3,037	19,840
Deposits, prepayments and other receivables		30,699	30,244
Amount due from a former subsidiary		3,105	—
Tax recoverable		880	—
Bank balances and cash		2,509	11,798
		<b>40,230</b>	<b>66,022</b>
<b>Current liabilities</b>			
Trade payables	9	2,801	24,302
Accruals		1,230	2,185
Amount due to immediate holding company		20,462	10,000
Amounts due to directors		8,657	5,553
Amount due to a former subsidiary		—	4,869
Tax payable		1,200	1,790
		<b>34,350</b>	<b>48,699</b>
<b>Net current assets</b>		<b>5,880</b>	<b>17,323</b>
<b>Total assets less current liabilities</b>		<b>5,880</b>	<b>17,323</b>
<b>Capital and reserves</b>			
Share capital		5,198	5,198
Reserves		682	12,125
<b>Total equity</b>		<b>5,880</b>	<b>17,323</b>

## NOTES:

### 1. APPLICATION OF NEW AND AMENDMENTS TO 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 (the “HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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.

#### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except for the possibility that the application of HKFRS 15, HKFRS 16 and amendments to HKAS 7 in the future may have a potential impact on the Group’s consolidated financial statements, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group’s consolidated financial statements.

## 2. REVENUE

The Group's revenue represents the amounts received and receivable for sourcing of garment products, less sales returns and allowances.

## 3. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM"), being the executive directors of the Company, monitors the revenue, result, assets and liabilities of the Group based on the monthly management accounts which are substantially in conformity with HKFRSs. Other than revenue analysis by customers, the CODM assesses the operating performance of the Group as a whole as the Group is primarily engaged in garment sourcing. No other discrete financial information is provided to the CODM. Accordingly, no further segment information is presented.

### Geographical information

The Group's operation is mainly located in Hong Kong and the United States of America (the "USA" or "US").

The Group's revenue from external customers by location of customers is detailed below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
USA	65,343	98,817
Canada	15,649	48,464
Mexico	–	17,308
	<u>80,992</u>	<u>164,589</u>

### Information about major customers

Revenue from customers contributing to over 10% of the Group's total annual revenue are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	65,066	92,293
Customer B	12,819	33,504
Customer C ( <i>note</i> )	N/A	17,308
	<u>                    </u>	<u>                    </u>

*note:* This customer contributed less than 10% of the Group's total annual revenue for the year ended 31 March 2017.

## 4. INCOME TAX CREDIT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current year	–	–
– overprovision in prior years	–	(20)
	<u>                    </u>	<u>                    </u>
	–	(20)

No provision for Hong Kong Profits Tax has been made in the financial statements as the assessable profit for the current year has been wholly absorbed by the tax losses brought forward. There was no assessable profit for the Group in the prior year. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for the US income taxes has been made in the financial statements as the assessable profits for both years are insignificant and have been wholly absorbed by tax losses brought forward.

#### 4. INCOME TAX CREDIT (continued)

The income tax credit for the year can be reconciled to loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before taxation	<u>(11,443)</u>	<u>(24,777)</u>
Tax credit at Hong Kong Profits Tax rate of 16.5%	(1,888)	(4,088)
Tax effect of expenses not deductible for tax purpose	423	931
Tax effect of income not taxable for tax purpose	(46)	(18)
Tax effect of tax losses not recognised	1,783	3,175
Utilisation of tax losses previously not recognised	(272)	–
Overprovision in respect of prior years	–	(20)
Income tax credit for the year	<u>–</u>	<u>(20)</u>

At the end of the reporting period, the Group had unused tax losses of HK\$34,650,000 (2016: HK\$25,491,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

#### 5. LOSS FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
– current year	1,168	1,240
– underprovision in prior year	–	30
Directors' remuneration	3,880	3,688
Other staff costs		
– salaries and wages	3,038	5,217
– retirement benefit scheme contributions	110	197
Total staff costs	<u>7,028</u>	<u>9,102</u>
Depreciation of plant and equipment	–	230
Sampling expenses (included in selling and distribution costs)	1,089	13,947
Legal and professional expenses (included in other expense) (note)	–	4,444
and after crediting:		
Interest income (included in other income)	<u>114</u>	<u>158</u>

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

*note:* The legal and professional expenses were incurred in relation to the proposed acquisition of Highlight Holding Limited, which subsequently did not proceed, details of which were disclosed in the announcements of the Company dated 25 March 2015 and 1 January 2016.

## 6. DIVIDEND

No final/ interim dividend was paid or proposed for the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

## 7. LOSS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(11,443)</u>	<u>(24,757)</u>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic loss per share	<u>519,777,000</u>	<u>519,777,000</u>

No presentation of diluted loss per share for the years ended 31 March 2017 and 2016 as there were no potential dilutive ordinary shares outstanding during both years.

## 8. TRADE RECEIVABLES

The Group allows its trade customers a credit period of 30 to 150 days. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	144	7,591
31 – 60 days	2,783	5,793
61 – 90 days	110	5,518
91 – 120 days	–	393
Over 120 days	–	545
	<u>3,037</u>	<u>19,840</u>

## 9. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 60 days	120	13,005
61 – 90 days	621	6,077
Over 90 days	2,060	5,220
	<u>2,801</u>	<u>24,302</u>

## **BUSINESS REVIEW**

During the year ended 31 March 2017, the garment industry had operated in an environment full of challenges. The Group's customised out-sourcing capabilities continued to face tremendous global macro-economic pressure in an unfavourable consumer spending environment and vigorous competition. The export market was difficult overall with the stagnant retail markets of Canada and Eurozone compounded by the weak demands of the USA, the Group's major export destination.

According to the Major Shippers Report released by the US Department of Commerce, imports of apparel decreased by approximately 5% to approximately US\$81 billion in the year ended 31 December 2016 as compared to 2015. With the uncertain political and economic outlook, retailers have become increasingly cautious in placing orders.

### **Garment Sourcing Business**

For the year ended 31 March 2017, the Group's revenue decreased by approximately 51% on a year-on-year basis to approximately HK\$81 million (2016: approximately HK\$165 million). The decrease was mainly attributable to the sluggish retail demand in the USA, Canada and Europe that still has weighed on buyers' confidence and made retailers particularly cautious in placing orders.

Gross profit decreased by approximately 61% to approximately HK\$5 million (2016: approximately HK\$13 million) with gross profit margin decreased from approximately 7.8% to approximately 6.2% due to slow demand and keen competition.

Loss and total comprehensive expense for the year attributable to owners of the Company recorded approximately HK\$11 million (2016: HK\$25 million).

Total comprehensive expense for the year ended 31 March 2017 amounted to approximately HK\$11 million (2016: approximately HK\$25 million), representing a decrease of approximately 54%. The decrease was primarily due to the decrease in selling and distribution costs and administrative expenses resulted from the reduction in headcounts and sample making, that compensated the decrease in gross profit.

## **PROSPECTS AND DEVELOPMENT PLAN**

The development of the Group's current business as a garment sourcing management supplier in providing value-added services such as material sourcing, product design and development, sample making and logistics arrangement, has fallen short of expectations and failed to bring forth significant breakthroughs. Affected by unfavorable factors including the slowdown in global investment, weak growth in trade, subdued production growth, intense competition within the industry, increased operational costs and decreased product demand, the Group's revenue and profit generated from its businesses have been unsatisfactory.

The Company's management has been providing comprehensive solutions and relevant products in the television and broadcasting industry for over 20 years and has in-depth knowledge of the industry's current situation as well as sufficient understanding and insight into the needs of its clients and residents. Therefore, for maximizing the interests of the shareholders the Company (the "Shareholders") and with the experience and connections of the management of the Company in relevant fields, the Group is planning to shift its business direction and establish subsidiaries in the People's Republic of China (the "PRC") for the purposes of developing and operating the integrated information service platform on broadcasting networks, including, but not limited to, provision of comprehensive town management, market supervision, comprehensive law enforcement, public convenience and other services.

The notice on publishing the promotion plan of tri-network integration by the General Office of the State Council of the PRC\* (中國國務院辦公廳關於印發三網融合推廣方案的通知) was issued in August 2015 to fully advance the tri-network integration, conclude on the experiences of the pilot program, expand both the television and broadcasting and telecommunication businesses to a national level, and commence such implementation.

Smart city developments based on broadcasting networks, especially those based on terminals in the form of DVB+OTT (“Digital Video Broadcasting + Over The Top”), is especially beneficial to the development of smart cities. Its advantages include development and programming, convenient installation, easy upgrading and maintenance and short evolutionary iteration cycles, and is able to develop smart cities of all types and forms. The developed smart cities encompass different age and culture groups, from children, students, teenagers, to middle-aged and senior citizens, meeting their different demands in work, entertainment and living. The interactive education, family security, smart homes, life circles and internet finance businesses of the smart cities of Zhejiang Chuangjia Digital Co., Ltd.\* (浙江創佳數位技術有限公司) (Mr. Gao Zhiping has served as the legal representative since 2007) have been extremely popular with customers. Therefore, smart city developments based on broadcasting networks, especially those based on terminals in the form of DVB+OTT, are highly prospective with potentially stronger market demands. Following the cooperation agreement (details of which were disclosed in the Company’s announcement dated 18 May 2017) entered into between Hangzhou Haoyu Yunshi Network and Technology Co., Ltd.\* (杭州浩毓云勢網路科技有限公司) (“Hangzhou Haoyu”), an indirectly wholly-owned subsidiary of the Company, and Shangrao branch of Jiangxi Province Broadcasting and Television Network Communication Co., Ltd.\* (江西省廣播電視網絡傳輸有限公司) (“Jiangxi Broadcasting”), we believe that there will be tremendous business opportunities within the field of smart cities for the Group.

The notice on the commencement of the Pilot Work Plan of Public Standardisation and Regularisation in Grassroots Government Affairs by the General Office of the State Council of the PRC\* (中國國務院辦公廳關於印發開展基層政務公開標準化規範化試點工作方案的通告) was issued in May 2017. It is a practical measure to advance “The Five Publicisation”, and is of great significance to deepening the publicisation of grassroots government affairs, improving administrative efficiency, as well as accelerating the establishment of nomocracy and a service-oriented government. In view of this, the Group is actively planning to develop the smart government affairs business, with the signing of the Pingyang cooperation agreement (details of which were disclosed in the Company’s announcement dated 22 May 2017) being a good start.

Lastly, I would like to express my sincere gratitude to the management team and all employees on behalf of the Board for their immeasurable contribution and efforts to the Group. The Group will continue to face challenges and expand together hand in hand diligently and dutifully in the difficult and struggling business environment. Meanwhile, I would like to express my gratitude to the Shareholders for their support for the Group. We will continue to do our best and strive to improve our profitability and generate more satisfactory return for our Shareholders.

## **IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD**

On 18 May 2017, the Company through its indirect wholly owned subsidiary, Hangzhou Haoyu, entered into the cooperation agreement with Jiangxi Broadcasting, pursuant to which the parties agreed to cooperate to develop and operate the integrated information service platform on the network of Jiangxi Broadcasting. Please refer to announcement of the Company dated 18 May 2017 for more details.

On 22 May 2017, the Company through its indirect wholly owned subsidiary, Hangzhou Haoyu, entered into the cooperation agreement with Pingyang Wasu Broadcasting and Television Network Co., Ltd.\* (平陽華數廣電網絡有限公司), pursuant to which the parties agreed to cooperate to develop and operate the platform for the provision of comprehensive town management, market supervision, comprehensive law enforcement, public convenience and other services in Pingyang County. Please refer to announcement of the Company dated 22 May 2017 for more details.

Save as disclosed above, no important events affecting the Group have taken place since 31 March 2017 and up to the date of this announcement.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group maintained a healthy financial position for the year ended 31 March 2017 with cash and cash equivalents amounted to approximately HK\$2.5 million as at 31 March 2017.

As at 31 March 2017, the Group's gearing ratio, being net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity, was zero (2016: zero), as the Group did not have any bank borrowings as at 31 March 2017. The Group's current ratio, being total current assets divided by total current liabilities, was approximately 1.2 (2016: 1.4).

The Group did not have any bank borrowings as at 31 March 2017 and throughout the year ended 31 March 2017.

### **Foreign Exchange and Risk Management**

The Group's working capital is mainly financed through internal generated cash flows. The management of the Group regularly monitors the funding requirements of the Group to support its normal operations and its development plans. Most of the Group's cash balances were deposits in US dollars ("US\$") and Hong Kong dollars ("HK\$") with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US\$ and HK\$.

Foreign exchange risks arising from sales and purchases transacted in different currencies may be managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivative contracts may be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contracts throughout the year ended 31 March 2017 and had no outstanding financial derivative contracts as at 31 March 2017.

### **Capital Expenditure and Commitments**

During the year ended 31 March 2017, the Group did not have any material investment in plant and equipment.

As at 31 March 2017, the Group had no commitment (as at 31 March 2016: Nil) in respect of acquisition of new machineries and no significant capital commitments.

As at the date of this announcement, the Group had no plan for any material investment or capital assets.

## **Charges on Assets**

As at 31 March 2017, the Group had no pledged assets.

## **Contingent Liabilities**

As at 31 March 2017, the Group did not have contingent liabilities.

## **Dividend**

The Board has resolved not to declare any final dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: Nil).

## **Employee Information**

As at 31 March 2017, the Group employed approximately 10 employees (excluding Directors). The Group offers its employees competitive remuneration schemes which are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance.

The Company maintains a share option scheme, pursuant to which share options may be granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group.

There was no outstanding share option throughout the year ended 31 March 2017 and as at 31 March 2017.

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

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

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions ("Code Provisions") under the Corporate Governance Code contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2017, except for the following deviations:

Code Provision C.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the year ended 31 March 2017, the management of the Company had not provided regular monthly updates to the members of the Board but the management had provided information and updates to the members of the Board as and when appropriate.

Under the Code Provision C.2.5, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the audit committee of the Company (the “Audit Committee”) has a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified under current year’s review and the systems were operating effectively and adequately. The Group continues to review the need for an internal audit function annually.

Code Provision E.1.2 requires that the chairman of the board of the company should attend the annual general meeting. The chairman of the Board, Mr. Gao Zhiyin, was unable to attend the Company’s annual general meeting held on 23 September 2016 (the “2016 AGM”) due to his other business engagements. Mr. Shi Jiguo, a former executive Director who resigned on 31 May 2017, acted as the chairman of the 2016 AGM in accordance with the bye-laws of the Company. The chairperson of the Audit Committee and remuneration committee of the Company, and the external auditor of the Company were present to be available to answer any question to ensure effective communication with the Shareholders.

## **AUDIT COMMITTEE AND COMPLIANCE WITH LISTING RULES**

The Audit Committee currently comprises three independent non-executive Directors namely Mr. Lau Chi Kit (chairman of the Audit Committee), Mr. Ma Ming and Mr. Li Hui. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions.

Mr. Lam Kai Yeung resigned as an independent non-executive Director on 1 May 2017, details of which were disclosed in the Company’s announcement dated 1 May 2017. Following the resignation of Mr. Lam Kai Yeung, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell short of the requirement under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Li Hui as an independent non-executive Director and a member of the Audit Committee on 17 May 2017, the Company has recomplied with the requirements of Rule 3.10(1) and Rule 3.21 of the Listing Rules, details of which were disclosed in the Company’s announcement dated 17 May 2017.

Save as disclosed above, during the year ended 31 March 2017 and as at the date of the announcement, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director having appropriate professional accounting or financial management experience.

The Audit Committee has reviewed the audited annual financial statements of the Group for the year ended 31 March 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2017. There were no incidents of non-compliance during the year ended 31 March 2017.

By Order of the Board  
**Highlight China IoT International Limited**  
**Gao Zhiyin**  
*Chairman*

Hong Kong, 29 June 2017

*As at the date of this announcement, the Board comprises Mr. Gao Zhiyin, Mr. Gao Zhiping and Mr. Feng Chen as executive Directors; Mr. Lau Chi Kit, Mr. Ma Ming and Mr. Li Hui as independent non-executive Directors; and Mr. Chan Kin as non-executive Director.*

\* *For identification purposes only*