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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

#### **UNAUDITED INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Highlight China IoT International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015 (the “Period”) together with the comparative figures for the previous corresponding period.

The interim results of the Group have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim results of the Group have also been reviewed by the audit committee of the Company (the “Audit Committee”).

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

For the six months ended 30 September 2015

		For the six months ended 30 September	
	NOTES	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
<b>Continuing operation</b>			
Revenue	2	99,623	203,140
Cost of sales		<u>(90,716)</u>	<u>(188,078)</u>
Gross profit		8,907	15,062
Other income		54	1
Other gains and losses	3	(817)	(23)
Selling and distribution costs		(7,151)	(2,972)
Administrative expenses		<u>(8,956)</u>	<u>(4,193)</u>
(Loss) profit before taxation		(7,963)	7,875
Income tax expense	4	<u>–</u>	<u>(1,407)</u>
(Loss) profit for the period from continuing operation	5	(7,963)	6,468
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	6	<u>–</u>	<u>(5,074)</u>
(Loss) profit for the period		<u>(7,963)</u>	<u>1,394</u>
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligations		–	175
<i>Reclassification adjustment:</i>			
Reclassification of exchange difference on disposal of subsidiaries		<u>–</u>	<u>(7,852)</u>
Other comprehensive expense for the period, including reclassification adjustment		<u>–</u>	<u>(7,677)</u>
Total comprehensive expense for the period		<u><u>(7,963)</u></u>	<u><u>(6,283)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*For the six months ended 30 September 2015*

	<i>NOTE</i>	<b>For the six months ended 30 September</b>	
		<b>2015</b> <i>HK\$'000</i> <b>(unaudited)</b>	2014 <i>HK\$'000</i> (unaudited) (restated)
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operation		<b>(7,963)</b>	6,468
– from discontinued operations		–	(5,477)
		<u><b>(7,963)</b></u>	<u>991</u>
Profit for the period attributable to non-controlling interests:			
– from continuing operation		–	–
– from discontinued operations		–	403
		<u>–</u>	<u>403</u>
		<u><b>(7,963)</b></u>	<u>1,394</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(7,963)</b>	(6,686)
Non-controlling interests		–	403
		<u><b>(7,963)</b></u>	<u>(6,283)</u>
(Loss) earnings per share	8		
<b>From continuing and discontinued operations</b>			
Basic (HK cents)		<u><b>(1.53)</b></u>	<u>0.20</u>
Diluted (HK cents)		<u><b>(1.53)</b></u>	<u>0.19</u>
<b>From continuing operation</b>			
Basic (HK cents)		<u><b>(1.53)</b></u>	<u>1.30</u>
Diluted (HK cents)		<u><b>(1.53)</b></u>	<u>1.26</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 September 2015*

	<i>NOTES</i>	<b>30 September 2015 HK\$'000 (unaudited)</b>	<b>31 March 2015 HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	<u>–</u>	<u>1,253</u>
<b>Current assets</b>			
Inventories		4,158	3,809
Trade receivables	10	44,507	83,311
Deposits, prepayments and other receivables		47,282	36,723
Bank balances and cash		<u>7,798</u>	<u>8,913</u>
		<u>103,745</u>	<u>132,756</u>
<b>Current liabilities</b>			
Trade payables	11	49,079	47,201
Other payables and accruals		9,153	9,183
Amount due to the immediate holding company		10,000	6,000
Amount due to a former subsidiary		–	28,046
Tax payable		<u>1,396</u>	<u>1,499</u>
		<u>69,628</u>	<u>91,929</u>
<b>Net current assets</b>		<u>34,117</u>	<u>40,827</u>
<b>Total assets less current liabilities</b>		<u><u>34,117</u></u>	<u><u>42,080</u></u>
<b>Capital and reserves</b>			
Share capital		5,198	5,198
Reserves		<u>28,919</u>	<u>36,882</u>
<b>Total equity</b>		<u><u>34,117</u></u>	<u><u>42,080</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2015*

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in these condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015, except for the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) newly adopted by the Group in the current interim period which are disclosed below.

### Amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 2. SEGMENT INFORMATION

The Group’s reportable and operating segments under HKFRS 8 Operating Segments, based on the information reported to the chief operating decision makers (“CODM”), represented by the executive Directors, for the purposes of resource allocation and performance assessment were “Garment sourcing” and “Garment manufacturing and trading” as defined in the Group’s condensed consolidated financial statements for the six months ended 30 September 2014.

Following the completion of the Disposal on 22 July 2014, as detailed in Note 6, the Group derives all its revenue from the Garment sourcing business. For the revenue from continuing operation represents revenue from garment sourcing business received and receivable while revenue from discontinued operations represented revenue from garment manufacturing and trading business received and receivable during the six months ended 30 September 2014.

Due to the Disposal, the Group has amended the format of management information provided to the CODM for the purpose of assessing the performance of the operating segments. The CODM considered that there is only one operating segment in accordance with HKFRS 8 and reviewed the condensed consolidated statement of profit or loss and other comprehensive income and the assets and liabilities of the Group as a whole for the purpose of resource allocation and performance assessment. Accordingly, segment information is no longer presented.

### 3. OTHER GAINS AND LOSSES

For the six months ended  
30 September

2015	2014
HK\$'000	HK\$'000
	(restated)

#### Continuing operation

Impairment loss on property, plant and equipment	(1,081)	–
Net foreign exchange gain (loss)	264	(23)
	<u>(817)</u>	<u>(23)</u>

### 4. INCOME TAX EXPENSE

For the six months ended  
30 September

2015	2014
HK\$'000	HK\$'000
	(restated)

#### Continuing operation

Hong Kong Profits Tax – current period	–	1,407
	<u>–</u>	<u>1,407</u>

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

### 5. (LOSS) PROFIT FOR THE PERIOD

For the six months ended  
30 September

2015	2014
HK\$'000	HK\$'000

#### Continuing operation

(Loss) profit for the period has been arrived at  
after charging (crediting):

Directors' remuneration	1,813	1,416
Other staff costs	3,512	1,975
	<u>5,325</u>	<u>3,391</u>
Total staff costs		
Cost of inventories sold	90,716	188,078
Depreciation of property, plant and equipment	230	38
Bank interest income (included in other income)	–	(1)
	<u>–</u>	<u>(1)</u>

## 6. DISCONTINUED OPERATIONS / DISPOSAL OF SUBSIDIARIES

On 14 March 2014, the Company and Sure Strategy Limited (“Sure Strategy”) entered into a conditional disposal agreement for the disposal of its garment manufacturing and trading business (the “Disposal”) (the “Disposal Agreement”).

Sure Strategy was the Company’s former immediate holding company. Sure Strategy was then owned as to 49% by Merlotte Enterprise Limited (a company incorporated in the British Virgin Islands (the “BVI”) and is wholly-owned by Mr. Choi Lin Hung, who was a former director of the Company and one of the Company’s ultimate beneficial shareholders before the Disposal) and as to 51% by Victory City Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Victory City International Holdings Limited, a company incorporated in Bermuda and its shares are listed on the Stock Exchange.

According to the Disposal Agreement, Sure Strategy agreed to purchase, and the Company agreed to sell the entire issued share capital of Ford Glory Holdings Limited (“FG Holdings”) (a wholly-owned subsidiary of the Company and an investment holding company prior to the Disposal), which, together with its subsidiaries held the garment manufacturing and trading business at a cash consideration of HK\$270,000,000 and a tax indemnity from Sure Strategy in which Sure Strategy would fully indemnify the Group in respect of tax liability resulting from the Disposal of any amount that exceeds HK\$1,200,000. The Disposal was approved by the shareholders of the Company (the “Shareholders”) at the special general meeting (the “SGM”) of the Company held on 10 July 2014 and the Disposal was completed on 22 July 2014, on which date the control of FG Holdings was passed to Sure Strategy.

The Group ceased the garment manufacturing and trading business (the “Discontinued Operations”) upon the completion of the Disposal. Accordingly, the results of garment manufacturing and trading business for the relevant period have been separately presented as Discontinued Operations in the condensed consolidated statement of profit or loss and other comprehensive income.

The loss from the Discontinued Operations for the relevant period is analysed as follows:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) <i>HK\$’000</i> (restated)
Profit for the period	18,941
Losses arising from the Disposal	<u>(24,015)</u>
	<u><u>(5,074)</u></u>

## 6. DISCONTINUED OPERATIONS / DISPOSAL OF SUBSIDIARIES (CONTINUED)

The results of the Discontinued Operations for the relevant period, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) <i>HK\$'000</i>
Revenue	302,622
Cost of sales	<u>(238,497)</u>
Gross profit	64,125
Other income	451
Other gains and losses	204
Selling and distribution costs	(11,430)
Administrative expenses	(31,597)
Interest on bank borrowings	<u>(855)</u>
Profit before taxation	20,898
Income tax expense	<u>(1,957)</u>
Profit for the period from discontinued operations	<u><u>18,941</u></u>
Attributable to:	
Owners of the Company	18,538
Non-controlling interests	<u>403</u>
	<u><u>18,941</u></u>

The net cash flows generated by the Discontinued Operations were presented below:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) <i>HK\$'000</i>
Net cash flows used in operating activities	(171,753)
Net cash flows used in investing activities	(10,192)
Net cash flows from financing activities	<u>195,220</u>
Net cash flows	<u><u>13,275</u></u>

## 6. DISCONTINUED OPERATIONS / DISPOSAL OF SUBSIDIARIES (CONTINUED)

The net assets of the subsidiaries disposed of at the date of completion of the Disposal were as follows:

	As at 22 July 2014 HK\$'000
<i>Analysis of assets and liabilities over which control was lost</i>	
Property, plant and equipment	151,907
Prepaid lease payments	3,566
Goodwill	5,970
Deferred tax assets	2,404
Inventories	185,832
Trade and bills receivables	181,531
Deposits, prepayments and other receivables	83,704
Amount due from fellow subsidiaries	1,265
Derivative financial instruments	2,634
Tax recoverable	380
Bank balances and cash	59,172
Trade and bills payables	(52,842)
Other payables and accruals	(37,740)
Amounts due to fellow subsidiaries and a former subsidiary	(22,507)
Tax payable	(16,700)
Bank borrowings	(253,793)
Defined benefit obligations	(1,454)
Deferred tax liabilities	(2,373)
	<hr/>
Net assets disposed of	<u>290,956</u>

## 6. DISCONTINUED OPERATIONS / DISPOSAL OF SUBSIDIARIES (CONTINUED)

	As at 22 July 2014 HK\$'000
<b><i>Losses arising from the Disposal</i></b>	
Cash consideration	270,000
Tax indemnity receivable ( <i>note</i> )	3,425
	<hr/> 273,425
Net assets of HK\$290,956,000, net of impairment for disposal group of HK\$18,846,000	(272,110)
Non-controlling interests	(1,315)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on disposal of subsidiaries	7,852
	<hr/> 7,852
Legal and professional fees related to the Disposal	(8,396)
Tax arising on disposal	(4,625)
	<hr/> (5,169)
Impairment loss recognised on the disposal group	(18,846)
	<hr/> (24,015)
	<hr/> <hr/>
<b><i>Net cash inflow arising on the Disposal</i></b>	
Cash consideration received	270,000
Less: bank balances and cash disposed of	(59,172)
	<hr/> 210,828
	<hr/> <hr/>

*note:* This relates to the excess of tax liabilities resulting from the Disposal indemnified by Sure Strategy pursuant to the Disposal Agreement. The Group recognised the receivable at the same time that it recognised the excess tax liability and measured both items on the same basis. The receivable is subjected to impairment assessment for uncollectable amounts.

## 7. DISTRIBUTIONS

No dividends were paid, declared or proposed during the current interim period. The Directors have determined that no dividend will be paid in respect of the current interim period.

During the six months ended 30 September 2014, a special cash dividend of HK\$0.72 per ordinary share was declared by the Board and was approved by the Shareholders at the SGM held on 10 July 2014. The aggregate amount of the special dividend declared and paid out of special reserve amounted to HK\$374,239,000 (six months ended 30 September 2015: Nil) which was paid on 22 July 2014.

## 8. (LOSS) EARNINGS PER SHARE

### From continuing and discontinued operations

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

	For the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (restated)
<b>(Loss) earnings</b>		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(7,963)</u>	<u>991</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>519,777,000</u>	<u>497,540,169</u>
Effect of dilutive potential ordinary shares in respect of share options	<u>N/A</u>	<u>16,798,922</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u><u>519,777,000</u></u>	<u><u>514,339,091</u></u>

### From continuing operation

The calculation of the basic and diluted (loss) earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (restated)
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the period attributable to owners of the Company	(7,963)	991
Less: Loss for the period from discontinued operations attributable to owners of the Company	<u>—</u>	<u>5,477</u>
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share from continuing operation	<u><u>(7,963)</u></u>	<u><u>6,468</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group recognised an impairment loss of approximately HK\$1,081,000 in relation to property, plant and equipment due to the continuous losses incurred by the Group. The management determined that there is no resell value for the assets (mainly comprise furniture, fixtures and equipment and leasehold improvements). Accordingly, the entire outstanding amounts of the property, plant and equipment have been impaired.

During the six months ended 30 September 2014, the Group disposed of property, plant and equipment through the Disposal as detailed in Note 6, with an aggregate carrying amount of approximately HK\$151,907,000 (six months ended 30 September 2015: Nil).

## 10. 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 (net of allowance for doubtful debts), presented based on the invoice date at the end of each reporting period:

	<b>30 September 2015 HK\$'000</b>	31 March 2015 HK\$'000
0 – 30 days	<b>16,649</b>	10,715
31 – 60 days	<b>13,959</b>	33,982
61 – 90 days	<b>4,949</b>	25,492
91 – 120 days	<b>3,768</b>	5,415
Over 120 days	<b>5,182</b>	7,707
	<b>44,507</b>	83,311

## 11. TRADE PAYABLES

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

	<b>30 September 2015 HK\$'000</b>	31 March 2015 HK\$'000
0 – 60 days	<b>26,302</b>	16,063
61 – 90 days	<b>2,753</b>	16,349
Over 90 days	<b>20,024</b>	14,789
	<b>49,079</b>	47,201

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Period, the garment industry had operated in an environment full of challenges. The Group's customised out-sourcing capabilities enabled the Group to navigate through the global macro-economic pressure and associated unfavourable consumer spending environment. The export market demonstrated a mixed picture. The unsolved debt crisis in the Eurozone has weighed on consumer confidence and has led to persistently low demand. On the other hand, the United States of America ("US"), the Group's major export destination, has shown soft signs of recovery.

According to the Major Shippers Report released by the US Department of Commerce, imports of apparel increased by approximately 4.7% to approximately US\$64.9 billion during January to September of 2015, as compared to the corresponding period last year. Although the US recorded soft rebound, retailers have become increasingly cautious in placing orders.

#### **Garment Sourcing Business**

It was full of challenges during the Period. For the six months ended 30 September 2015, the Group's revenue decreased by approximately 51.0% on a year-on-year basis to approximately HK\$99.6 million (2014: approximately HK\$203.1 million). The decrease was mainly attributable to the modest economy recovery of the US that still has weighed on buyers' confidence and made retailers particularly cautious in placing orders.

Gross profit decreased by approximately 40.9% to approximately HK\$8.9 million (2014: approximately HK\$15.1 million) with gross profit margin improved from approximately 7.4% to approximately 8.9%.

Loss attributable to owners of the Company recorded approximately HK\$8.0 million (2014: profit of approximately HK\$1.0 million). This was attributed to (i), as mentioned above, the decline in revenue due to the modest economy recovery of the US that still weighed on buyers' confidence and made retailers particularly cautious in placing orders and (ii) the increase in selling and administrative expenses, including sampling expenses and rental of a new office in Hong Kong.

Total comprehensive expense for the Period amounted to approximately HK\$8.0 million (2014: approximately HK\$6.3 million), representing an increase of approximately 26.7%. The increase, as mentioned above, was primarily due to the decrease in sales revenue and the increase in selling and administrative expenses, including sampling expenses and rental of a new office in Hong Kong.

### **REVERSE TAKEOVER TRANSACTION**

As disclosed in the Company's announcement dated 25 March 2015, an agreement (the "Agreement") was entered into by the Company as purchaser in relation to the proposed acquisition of the entire issued share capital of Highlight Holding Limited and the assignment of loan at the total consideration of HK\$36,450,903,600 pursuant to the terms of the Agreement (the "Acquisition"). The Acquisition, if materialised, will constitute (i) a very substantial acquisition for the Company; (ii) a connected transaction of the Company; and (iii) a reverse takeover for the Company. As at 30 September 2015 and up to the date of this announcement, the Acquisition has not yet been completed.

## **PROSPECTS**

The Group, with its healthy financial position, will continue to serve as a garment sourcing management supplier by providing value-added services such as material sourcing, product design and development, sampling and logistic arrangement.

The Group will also conduct a detailed review of its operations and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden the Group's income stream, which may include rebalancing the resources of the Group should appropriate opportunities arise.

The Board will look for new business opportunities from time to time and thus enhance financial performance. We will do our best to deliver better return to the Shareholders.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group maintained a healthy financial position for the Period with cash and cash equivalents amounted to approximately HK\$7.8 million as at 30 September 2015 (31 March 2015: approximately HK\$8.9 million). The Group did not have any bank borrowing as at 30 September 2015 (31 March 2015: Nil).

As at 30 September 2015, the Group's gearing ratio, being net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity, was zero (31 March 2015: zero), as the Group did not have any bank borrowings as at 30 September 2015. The Group's current ratio, being total current assets divided by total current liabilities, was approximately 1.5 (31 March 2015: 1.4).

For the six months ended 30 September 2014 and as at 30 September 2014, the Group's bank borrowings were in Hong Kong dollars ("HK\$") and US dollars ("US\$"). The majority of interest-bearing bank borrowings of the Group were on Hong Kong Interbank Offer Rate and London Interbank Offer Rate basis. The Group had no bank borrowing as at 30 September 2015 and throughout the Period.

### **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\$ and 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 are normally 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 derivatives contracts may be entered into by the Group for hedging purpose. The Group has not entered into any financial derivatives contracts for speculation. The Group had not entered into any financial derivative contract in the Period and had no outstanding financial derivatives contracts as at 30 September 2015.

## **Capital Expenditure and Commitments**

During the Period, the Group did not have any material investment in property, plant and equipment.

As at 30 September 2015, the Group had no commitment (as at 31 March 2015: Nil) in respect of acquisition of new machineries and no significant capital commitments.

## **Charges on Assets**

As at 30 September 2015, the Group had no pledged assets.

## **Interim Dividend and Distributions**

The Board has resolved not to declare any interim dividend for the Period (interim dividend for the six months ended 30 September 2014: Nil).

Nevertheless, during the six months ended 30 September 2014, a special cash dividend of HK\$0.72 per ordinary share was declared by the Board and approved by the Shareholders at the SGM held on 10 July 2014. The aggregate amount of the special cash dividend declared and paid out of special reserve amounted to HK\$374,239,000 (a special cash dividend for the six months ended 30 September 2015: Nil), which was paid on 22 July 2014.

## **Employee Information**

As at 30 September 2015, the Group employed approximately 20 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 are 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. Throughout the Period and as of 30 September 2015, there was no outstanding share option.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Period.

## **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 Listing Rules throughout the six months ended 30 September 2015, except for the following deviation:

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 22 September 2015 ("AGM") due to his other business engagements. Mr. Shi Jiguo, an executive Director, acted as the chairman of the AGM in accordance with the bye-laws of the Company.

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

The Audit Committee currently comprises three independent non-executive Directors namely Mr. Lam Kai Yeung (chairman), Mr. Lau Chi Kit and Mr. Ma Ming. 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.

Dr. Chen Yifan resigned as an independent non-executive Director on 9 April 2015, details of which were disclosed in the Company's announcement dated 9 April 2015. Following the resignation of Dr. Chen Yifan as an independent non-executive Director on 9 April 2015, 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. Ma Ming as an independent non-executive Director and a member of the Audit Committee on 8 July 2015, 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 8 July 2015.

Save for disclosed above, during the six months ended 30 September 2015, 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 unaudited interim financial statements of the Group for the six months ended 30 September 2015.

## **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 six months ended 30 September 2015.

## **APPRECIATION**

In closing, on behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and employees for their commitments, hard work and loyalty to the Group during the Period.

I would also like to extend my deepest thanks to our customers, bankers, business partners and shareholders for their continual support.

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

Hong Kong, 26 November 2015

*As at the date of this announcement, the Board comprises Mr. Gao Zhiyin, Mr. Gao Zhiping and Mr. Shi Jiguo as executive Directors; and Mr. Lau Chi Kit, Mr. Lam Kai Yeung and Mr. Ma Ming as independent non-executive Directors.*