

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2016

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 2016 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 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operation			
Revenue	2	164,589	365,690
Cost of sales		(151,689)	(338,448)
Gross profit		12,900	27,242
Other income		158	9
Net foreign exchange gains (losses)		103	(121)
Impairment loss recognised in respect of property, plant and equipment		(1,081)	—
Selling and distribution costs		(14,161)	(9,889)
Administrative expenses		(18,252)	(17,695)
Other expense		(4,444)	—
Loss before taxation		(24,777)	(454)
Income tax credit (expense)	4	20	(902)
Loss for the year from continuing operation	5	(24,757)	(1,356)

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

For the year ended 31 March 2016

	<i>NOTE</i>	2016 HK\$'000	2015 HK\$'000
Discontinued operations			
Loss for the year from discontinued operations	6	—	(5,074)
Loss for the year		<u>(24,757)</u>	<u>(6,430)</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligations		—	175
Other comprehensive income for the year		—	175
<i>Reclassification adjustment:</i>			
Reclassification of exchange differences on disposal of subsidiaries		—	(7,852)
		—	(7,852)
Total comprehensive expense for the year		<u>(24,757)</u>	<u>(14,107)</u>
Loss for the year attributable to owners of the Company:			
— from continuing operation		(24,757)	(1,356)
— from discontinued operations		—	(5,477)
		<u>(24,757)</u>	<u>(6,833)</u>
Profit for the year attributable to non-controlling interests:			
— from continuing operation		—	—
— from discontinued operations		—	403
		—	403
		<u>(24,757)</u>	<u>(6,430)</u>

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

For the year ended 31 March 2016

	<i>NOTE</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(24,757)	(14,510)
Non-controlling interests		—	403
		<u>(24,757)</u>	<u>(14,107)</u>
Loss per share	8		
From continuing and discontinued operations			
Basic (HK cents)		<u>(4.76)</u>	<u>(1.34)</u>
Diluted (HK cents)		<u>N/A</u>	<u>(1.34)</u>
From continuing operation			
Basic (HK cents)		<u>(4.76)</u>	<u>(0.27)</u>
Diluted (HK cents)		<u>N/A</u>	<u>(0.27)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		—	1,253
Goodwill		—	—
Intangible asset		—	—
Deferred tax assets		—	—
		<u>—</u>	<u>1,253</u>
Current assets			
Inventories		4,140	3,809
Trade receivables	9	19,840	83,311
Deposits, prepayments and other receivables		30,244	36,723
Bank balances and cash		11,798	8,913
		<u>66,022</u>	<u>132,756</u>
Current liabilities			
Trade payables	10	24,302	47,201
Accruals		7,738	9,183
Amount due to the immediate holding company		10,000	6,000
Amount due to a former subsidiary		4,869	28,046
Tax payable		1,790	1,499
		<u>48,699</u>	<u>91,929</u>
Net current assets		<u>17,323</u>	<u>40,827</u>
Total assets less current liabilities		<u><u>17,323</u></u>	<u><u>42,080</u></u>
Capital and reserves			
Share capital		5,198	5,198
Reserves		12,125	36,882
		<u>17,323</u>	<u>42,080</u>
Equity attributable to owners of the Company		17,323	42,080
Non-controlling interests		—	—
		<u>—</u>	<u>—</u>
Total equity		<u><u>17,323</u></u>	<u><u>42,080</u></u>

NOTES

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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 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 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 ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ⁴
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 7	Disclosure Initiative ⁵
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective for annual periods beginning on or after 1 January 2017.

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should 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 those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 “Leases” (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitment of the Group in respect of rented office premises with lease terms of more than 12 months as at 31 March 2016 amounted to HK\$3,441,000. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as described above, 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 receivables for sourcing of garment products, less sales returns and allowances.

3. SEGMENT INFORMATION

Following the completion of disposal of subsidiaries as detailed in Note 6, the Group derives all its revenue from the garment sourcing business. The chief operating decision maker monitors the revenue, result, assets and liabilities of the garment sourcing business as a whole based on the monthly management accounts which are substantially in conformity with HKFRSs and considers the segment revenue and segment result of the Group represented revenue and profit for the year for continuing operation as stated in the consolidated statement of profit or loss and other comprehensive income respectively. 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”).

3. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
USA	98,817	298,615	—	—
Canada	48,464	45,506	—	—
Mexico	17,308	18,719	—	—
Japan	—	1,847	—	—
France	—	1,003	—	—
Hong Kong	—	—	—	1,253
	<u>164,589</u>	<u>365,690</u>	<u>—</u>	<u>1,253</u>

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	92,293	287,962
Customer B (note)	33,504	N/A
Customer C (note)	17,308	N/A
	<u>164,589</u>	<u>287,962</u>

note: N/A represents the customer contributed less than 10% of the Group's total annual revenue.

4. INCOME TAX (CREDIT) EXPENSE

	2016 HK\$'000	2015 HK\$'000
Continuing operation		
Hong Kong Profits Tax		
— current year	—	917
— overprovision in respect of prior years	(20)	(15)
	<u>(20)</u>	<u>902</u>

4. INCOME TAX (CREDIT) EXPENSE (Continued)

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before taxation (from continuing operation)	<u>(24,777)</u>	<u>(454)</u>
Tax at the domestic income tax rate of 16.5%	(4,088)	(75)
Tax effect of expenses that are not deductible for tax purpose	931	84
Tax effect of income not taxable for tax purpose	(18)	(123)
Tax effect of tax losses not recognised	3,175	1,031
Overprovision in respect of prior years	<u>(20)</u>	<u>(15)</u>
Income tax (credit) expense for the year	<u>(20)</u>	<u>902</u>

5. LOSS FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operation		
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
— current year	1,240	1,480
— underprovision in prior year	30	—
Directors' remuneration	3,688	2,898
Other staff costs		
— salaries and wages	5,217	9,361
— retirement benefit scheme contributions	<u>197</u>	<u>299</u>
Total staff costs	<u>9,102</u>	<u>12,558</u>
Depreciation of property, plant and equipment	230	228
Legal and professional expenses (included in other expense) (note)	4,444	—
and after crediting:		
Interest income (included in other income)	<u>158</u>	<u>9</u>

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

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 (“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 shareholder 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 (“VC”), the Company’s former ultimate holding company and a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 539).

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 (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 of the Company (the “SGM”) which was held on 10 July 2014 and the Disposal was completed on 22 July 2014, on which date the control of Ford Glory Holdings Limited was passed to Sure Strategy.

The Group ceased the garment manufacturing and trading business (“Discontinued Operations”) upon the completion of Disposal. Accordingly, the results of garment manufacturing and trading business for the year ended 31 March 2015 had been separately presented as Discontinued Operations in the consolidated statement of profit or loss and other comprehensive income.

The loss from the Discontinued Operations for the year ended 31 March 2015 was analysed as follows:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) <i>HK\$ '000</i>
Profit for the year ended 31 March 2015	18,941
Losses arising from the Disposal	(24,015)
	<hr/>
	(5,074)
	<hr/> <hr/>

6. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (Continued)

The results of the Discontinued Operations which had been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2015, 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	(238,497)
	<hr/>
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	(855)
	<hr/>
Profit before taxation	20,898
Income tax expense	(1,957)
	<hr/>
Profit for the year from Discontinued Operations	18,941
	<hr/> <hr/>
Attributable to:	
Owners of the Company	18,538
Non-controlling interests	403
	<hr/>
	18,941
	<hr/> <hr/>

Loss per share

Basic loss per share from the Discontinued Operations for the year ended 31 March 2015 was 1.07 HK cents per share, based on the loss for the year ended 31 March 2015 from the Discontinued Operations attributable to owners of the Company of approximately HK\$5,477,000.

6. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (Continued)

Loss per share (Continued)

Profit for the year ended 31 March 2015 from Discontinued Operations included the following:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK\$ '000
Directors' remuneration	992
Other staff costs	42,818
	<hr/>
Total staff costs	43,810
	<hr/> <hr/>
Depreciation of property, plant and equipment	6,704
Release of prepaid lease payments	25
Loss on disposal of property, plant and equipment	75
Impairment loss on intangible asset	1,000
Interest on bank borrowings:	
— wholly repayable within five years	718
— not wholly repayable within five years, which contain a repayment on demand clause	137
	<hr/>
	855
	<hr/>
and after crediting:	
Net gain on fair value changes of derivative financial instruments	1,255
Interest income	293
	<hr/> <hr/>

6. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (Continued)

	As at 22 July 2014 HK\$'000
Losses arising from the Disposal	
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 fee 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/>
Net cash inflow arising on disposal	
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 final or interim dividend was paid or proposed for the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

During the year ended 31 March 2015, 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 which paid on 22 July 2014.

8. LOSS PER SHARE

From continuing and discontinued operations

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	<u>(24,757)</u>	<u>(6,833)</u>
Number of shares		
Number of ordinary shares (2015: Weighted average number of ordinary shares) for the purposes of basic loss per share	<u>519,777,000</u>	<u>508,437,671</u>

From continuing operation

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

Earnings figures are calculated as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(24,757)	(6,833)
Less: loss for the year from Discontinued Operations attributable to owners of the Company	<u>—</u>	<u>(5,477)</u>
Loss for the purpose of basic loss per share from continuing operation	<u>(24,757)</u>	<u>(1,356)</u>

8. LOSS PER SHARE (Continued)

From continuing operation (Continued)

For the year ended 31 March 2016, no diluted loss per share is presented as there was no potential dilutive ordinary share outstanding during the year.

For the year ended 31 March 2015, the computation of diluted loss per share did not assume the conversion of the Company's share options since their exercise would result in decrease in loss per share from continuing operation.

9. 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 date at the end of each reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	7,591	10,715
31-60 days	5,793	33,982
61-90 days	5,518	25,492
91-120 days	393	5,415
Over 120 days	545	7,707
	<u>19,840</u>	<u>83,311</u>

10. TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-60 days	13,005	16,063
61-90 days	6,077	16,349
Over 90 days	5,220	14,789
	<u>24,302</u>	<u>47,201</u>

BUSINESS REVIEW

During the year ended 31 March 2016, the garment industry had operated in an environment full of challenges. The Group's customised out-sourcing capabilities continued to support the Group to cope with the global macro-economic pressure and the associated unfavourable consumer spending environment. The export market demonstrated a mixed picture. The sluggish economies of Canada and Eurozone have 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 2.68% to approximately US\$84.7 billion in the twelve months ended 31 March 2016 as compared to the corresponding period in the previous 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 year ended 31 March 2016. For the year ended 31 March 2016, the Group's revenue from its garment sourcing business decreased by approximately 55% on a year-on-year basis to approximately HK\$165 million (2015: approximately HK\$366 million). The decrease was mainly attributable to the modest economic recovery of the US that still has weighed on buyers' confidence and made retailers particularly cautious in placing orders.

Gross profit of the Group's garment sourcing business decreased by approximately 53% to approximately HK\$13 million (2015: approximately HK\$27 million) with gross profit margin improved from approximately 7% to approximately 8%.

Loss for the year attributable to owners of the Company recorded approximately HK\$25 million (2015: approximately HK\$7 million). This was mainly attributable to (i) as mentioned above, the decline in revenue due to the modest economic recovery of the US that still weighed on buyers' confidence and made retailers particularly cautious in placing orders; (ii) the increase in selling and administrative expenses, including sampling expenses and rental of a new office in Hong Kong; and (iii) the one-off expenses of professional fees of approximately HK\$4 million in relation to the acquisition under the Agreement (as defined in the announcement of the Company dated 25 March 2015) which automatically lapsed on 31 December 2015 (details of which were disclosed in the announcement of the Company dated 1 January 2016).

Total comprehensive expense for the year ended 31 March 2016 amounted to approximately HK\$25 million (2015: approximately HK\$14 million), representing an increase of approximately 76%. The increase, as mentioned above, was primarily due to the decrease in sales revenue, the increase in selling and administrative expenses, including sampling expenses and rental of a new office in Hong Kong and additional one-off expenses of professional fees incurred during the year ended 31 March 2016 relating to the acquisition.

PROSPECTS AND DEVELOPMENT PLAN

In the future, the Group will continue its garment sourcing business. 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.

Subject to a detailed review to be performed by the Board, the Board will continue to look for new business opportunities from time to time with a aim to enhance financial performance. We will do our best to deliver better return to the shareholders of the Company (the "Shareholders").

LAPSE OF AGREEMENT

As disclosed in the Company's announcement dated 1 January 2016, the Agreement (as defined in the announcement of the Company dated 25 March 2015) automatically lapsed on 31 December 2015. Save as disclosed above, the Group did not have any proposed material acquisition during the year ended 31 March 2016 and up to the date of this announcement.

SUBSEQUENT EVENTS

As at the date of this announcement, there are no material events affecting the Group occurring subsequent to the year ended 31 March 2016.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained a healthy financial position for the year ended 31 March 2016 with cash and cash equivalents amounting to approximately HK\$12 million as at 31 March 2016.

As at 31 March 2016, the Group's gearing ratio, being net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity, was zero (2015: zero), as the Group did not have any bank borrowings as at 31 March 2016. The Group's current ratio, being total current assets divided by total current liabilities, was approximately 1.4 as of 31 March 2016 (2015: 1.4).

The Group did not have any bank borrowings as at 31 March 2016 and throughout the year ended 31 March 2016.

Foreign Exchange and Currency Risks

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 contract in the year ended 31 March 2016 and had no outstanding financial derivative contracts as at 31 March 2016.

Capital Expenditure and Commitments

During the year ended 31 March 2016, the Group did not have any material investment in property, plant and equipment.

As at 31 March 2016, the Group had no commitment (as at 31 March 2015: 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 2016, the Group had no pledged assets.

Contingent Liabilities

The Group did not have contingent liabilities as at 31 March 2016.

Dividends

The Board has resolved not to declare any final dividend for the year ended 31 March 2016 (for the year ended 31 March 2015: Nil).

Employee Information

As at 31 March 2016, 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.

Throughout the year ended 31 March 2016 and as at 31 March 2016, there was no outstanding share option.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2016.

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 2016, 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 (the "2015 AGM") due to his other business engagements. Mr. Shi Jiguo, an executive Director, acted as the chairman of the 2015 AGM in accordance with the bye-laws of the Company. The chairperson of the audit committee (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. Lam Kai Yeung (chairman of the Audit Committee), 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 as disclosed above, during the year ended 31 March 2016, 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 2016.

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 2016.

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 year ended 31 March 2016.

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, 29 June 2016

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.