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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 2014

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Highlight China IoT International Limited (formerly known as “Ford Glory Group Holdings 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 2014 (the “Period”) together with the comparative figures for the previous corresponding period.

The interim results of the Group have 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 2014

		For the six months ended 30 September	
	<i>NOTE</i>	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	203,140	168,923
Cost of sales		<u>(188,078)</u>	<u>(153,804)</u>
Gross profit		15,062	15,119
Other income		1	–
Other net losses	4	(7,473)	–
Selling and distribution costs		(2,972)	(1,474)
Administrative expenses		<u>(4,193)</u>	<u>(6,300)</u>
Profit before income tax		425	7,345
Income tax expense	5	<u>(2,607)</u>	<u>(1,490)</u>
(Loss)/Profit for the period from continuing operations		<u>(2,182)</u>	<u>5,855</u>
Discontinued operations			
Profit for the period from discontinued operations	6	<u>18,941</u>	<u>5,977</u>
Profit for the period		<u><u>16,759</u></u>	<u><u>11,832</u></u>
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligations		175	324
Item that may be subsequently reclassified to profit or loss:			
– Exchange gain on translation of financial statements of foreign operations		–	435
Reclassification adjustments:			
– Release of foreign currency translation reserve on dissolution of a subsidiary		–	546
– Release of foreign currency translation reserve upon disposal of subsidiaries	6	<u>(7,852)</u>	–
Other comprehensive (expense)/income for the period, including reclassification adjustments and net of tax		<u>(7,677)</u>	<u>1,305</u>
Total comprehensive income for the period		<u><u>9,082</u></u>	<u><u>13,137</u></u>

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

For the six months ended 30 September 2014

		For the six months ended 30 September	
		2014	2013
		HK\$'000	HK\$'000
<i>NOTE</i>		(unaudited)	(unaudited) (restated)
(Loss)/Profit for the period attributable to the owners of the Company:	8		
– from continuing operations		(2,182)	5,855
– from discontinued operations		18,538	9,325
		16,356	15,180
Profit/(Loss) for the period attributable to non-controlling interests of the Company:			
– from continuing operations		–	–
– from discontinued operations		403	(3,348)
		403	(3,348)
Total comprehensive (expense)/income attributable to the owners of the Company:			
– from continuing operations		(2,182)	5,855
– from discontinued operations		10,861	10,624
		8,679	16,479
Total comprehensive income/(expense) attributable to non-controlling interests of the Company:			
– from continuing operations		–	–
– from discontinued operations		403	(3,342)
		403	(3,342)
(Loss)/Earnings per share from continuing operations attributable to the owners of the Company during the period	8		
– Basic (HK cents)		(0.44)	1.33
– Diluted (HK cents)		(0.42)	1.27
Earnings per share from discontinued operations attributable to the owners of the Company during the period	8		
– Basic (HK cents)		3.73	2.11
– Diluted (HK cents)		3.60	2.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	<i>NOTE</i>	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		163	150,540
Prepaid lease payments		–	3,492
Goodwill		–	5,970
Intangible asset		–	1,000
Deferred tax assets		–	2,329
		<u>163</u>	<u>163,331</u>
Current assets			
Inventories		15,689	180,593
Trade and bills receivables	9	85,341	116,800
Deposits, prepayments and other receivables		20,277	81,794
Prepaid lease payments		–	99
Derivative financial instruments		–	3,705
Tax recoverable		–	183
Bank balances and cash		5,998	46,298
		<u>127,305</u>	<u>429,472</u>
Current liabilities			
Trade and bills payables	10	45,205	48,477
Other payables and accruals		29,041	31,229
Amounts due to related companies		–	4,144
Derivative financial instruments		–	306
Tax payable		2,372	15,381
Bank borrowings		–	111,206
		<u>76,618</u>	<u>210,743</u>
Net current assets		<u>50,687</u>	<u>218,729</u>
Total assets less current liabilities		<u>50,850</u>	<u>382,060</u>
Non-current liabilities			
Defined benefit obligations		–	1,494
Deferred tax liabilities		–	2,306
		<u>–</u>	<u>3,800</u>
Net assets		<u>50,850</u>	<u>378,260</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 September 2014*

	As at 30 September 2014	As at 31 March 2014
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital and reserves		
Share capital	5,198	4,502
Reserves	45,652	375,476
	<hr/>	<hr/>
Equity attributable to the owners of the Company	50,850	379,978
Non-controlling interests	–	(1,718)
	<hr/>	<hr/>
Total equity	50,850	378,260
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NOTES:

1. GENERAL

Highlight China IoT International Limited (formerly known as “Ford Glory Group Holdings Limited”) (the “Company”) is an exempted company with limited liability incorporated in Bermuda. The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 19/F., Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company changed its English name from “Ford Glory Group Holdings Limited” to “Highlight China IoT International Limited” and adopted the Chinese name of 「高銳中國物聯網國際有限公司」 as the secondary name to replace 「福源集團控股有限公司」 which has been used for identification purposes only. This change of name was approved by the shareholders of the Company (the “Shareholders”) at the special general meeting held on 10 July 2014 (the “SGM”) and has become effective from 4 August 2014. The Certificate of Incorporation on Change of Name and the Certificate of Secondary Name of the Company were issued by the Registrar of Companies in Bermuda on 11 August 2014, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was also issued by the Registrar of Companies in Hong Kong on 26 August 2014 confirming registration of the Company’s new name of “Highlight China IoT International Limited 高銳中國物聯網國際有限公司” in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Company is an investment holding company. The Group is principally engaged in the garment sourcing business.

The Company’s immediate and ultimate holding company is Unitech Enterprises Group Limited (“Unitech”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability.

The functional currency of the Company is United States dollars (“US\$”). The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) because the Company’s shares (the “Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and most of its potential investors are located in Hong Kong.

2. BASIS OF PREPARATION AND THE PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). It was authorised for issue on 28 November 2014.

The preparation of condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The announcement of interim results contain the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss and other comprehensive income, for the six-month period then ended and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 March 2014 that is included in the condensed consolidated interim financial statements as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2014 are available from the Company’s registered office. The then auditor of the Company, Deloitte Touche Tohmatsu, has expressed an unqualified opinion on those financial statements in the independent auditor’s report dated 27 June 2014.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim 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 2014.

In the Period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are relevant to and effective for the Group’s condensed consolidated interim financial statements for the annual financial period beginning on 1 April 2014:

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities

The adoption of these amendments has no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

The principal activity of the Group is garment sourcing after the disposal of certain subsidiaries engaged in manufacturing and trading of garment products and the provision of quality inspection services (the “Disposal”) that has been classified as discontinued operations as set out in Note 6 in this announcement.

Turnover from continuing operations represents revenue from garment sourcing business received and receivable during the Period. Turnover from discontinued operations represents revenue from manufacturing and trading of garment products received and receivable during the Period.

The Group’s reportable and operating segments under Hong Kong Financial Reporting Standard 8 Operating Segments (“HKFRS 8”), based on information reported to the chief operating decision makers (“CODM”), represented by the executive Directors, for the purposes of resource allocation and performance assessment are as follows:

Continuing operations

Garment sourcing – This segment includes the subsidiaries of the Group primarily engaged in garment sourcing business which mainly comprises the comprehensive range of sourcing management services and expertise, including product design and product development, sampling product offering, garment sourcing, sub-contractor outsourcing, logistics and delivery and overseas sales capabilities (the “Garment Sourcing Business”).

Discontinued operations

Manufacturing and trading – This segment includes the discontinued operations of the Group which mainly engaged in the manufacturing and sales of garment products by self-owned factories in the People’s Republic of China (the “PRC”), Cambodia, Indonesia and Jordan and the provision of quality inspection services (the “Garment Manufacturing and Trading Business”).

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.

4. OTHER NET LOSSES

	For the six months ended	
	30 September	
	2014	2013
	HK\$’000	HK\$’000
		(restated)
Continuing operations		
Legal and professional fee attributable to the Disposal	7,450	–
Net foreign exchange loss	23	–
	<hr/>	<hr/>
	7,473	–
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX EXPENSE

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the Period.

Other jurisdictions

Taxation arising in other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

6. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

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

Sure Strategy Limited, a company incorporated in BVI with limited liability, was the Company’s former immediate holding company. Sure Strategy Limited is currently owned as to 49% by Merlotte Enterprise Limited, (a company incorporated in BVI and is wholly-owned by Mr. Choi Lin Hung, who was a former director of the Company and the Company’s ultimate controlling Shareholder before the Disposal) and as to 51% by Victory City Investments Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of Victory City International Holdings Limited, 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 (stock code: 539).

According to the Disposal Agreement, Sure Strategy Limited has agreed to purchase, and the Company has 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), which, together with its subsidiaries held the Garment Manufacturing and Trading Business at a total cash consideration of HK\$270,000,000. The Disposal was approved by the Shareholders at the SGM and the Disposal was completed on 22 July 2014, on which date the control of Ford Glory Holdings Limited was passed to Sure Strategy Limited.

Accordingly, the results of Garment Manufacturing and Trading Business for the six months ended 30 September 2014 have been separately presented as discontinued operations in the condensed consolidated statement of profit or loss and other comprehensive income. The presentation of comparative financial information for the six months ended 30 September 2013 has been re-presented to conform to the Period’s presentation.

The results of the discontinued operations during the Period are presented below:

	Period from 1 April 2014 to 22 July 2014 (date of completion of Disposal) HK\$'000	For the six months ended 30 September 2013 HK\$'000
Revenue	302,622	380,953
Cost of sales	(238,497)	(303,246)
Gross profit	64,125	77,707
Other income	451	2,411
Other net gain	204	456
Selling and distribution costs	(11,430)	(17,051)
Administrative expenses	(31,597)	(55,532)
Finance costs	(855)	(1,461)
Profit before income tax	20,898	6,530
Income tax expense	(1,957)	(553)
Profit for the period from the discontinued operations	<u>18,941</u>	<u>5,977</u>

The net cash flows generated/(incurred) by the discontinued operations are presented below:

	Period from 1 April 2014 to 22 July 2014 (date of completion of Disposal) HK\$'000	For the six months ended 30 September 2013 HK\$'000
Operating activities	(119,983)	6,630
Investing activities	(10,465)	(10,796)
Financing activities	143,673	(26,449)
	<hr/>	<hr/>
Net cash inflow/(outflow) from discontinued operations	13,225	(30,615)
	<hr/> <hr/>	<hr/> <hr/>

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

	HK\$'000
Non-current assets	163,748
Current assets	514,617
Current liabilities	(383,582)
Non-current liabilities	(3,827)
	<hr/>
Net assets disposed of:	290,956
Non-controlling interests	1,315
Release of foreign currency translation reserve upon Disposal	(7,852)
Loss on Disposal recognised as deemed distribution to Shareholders	(14,419)
	<hr/>
Total consideration	270,000
	<hr/> <hr/>
Net cash inflow arising on the Disposal	
Cash consideration	270,000
Bank and bank balances disposed of	(59,172)
	<hr/>
Net inflow of cash and cash equivalents in respect of the Disposal	210,828
	<hr/> <hr/>

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2014 (2013: HK1.0 cent per ordinary share of the Company).

During the Period, 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. The aggregate amount of the special dividend declared and paid amounted to approximately HK\$374,239,000.

8. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
(Loss)/Profit for the period attributable to the owners of the Company		
– from continuing operations	(2,182)	5,855
– from discontinued operations	18,538	9,325
	<u>16,356</u>	<u>15,180</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share calculation at 30 September	497,540,169	441,088,546
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	16,798,922	21,387,630
	<u>514,339,091</u>	<u>462,476,176</u>
(Loss)/Earnings per share attributable to the owners of the Company		
Basic (HK cents)		
– from continuing operations	(0.44)	1.33
– from discontinued operations	3.73	2.11
	<u></u>	<u></u>
Diluted (HK cents)		
– from continuing operations	(0.42)	1.27
– from discontinued operations	3.60	2.02
	<u></u>	<u></u>

9. TRADE AND BILLS RECEIVABLES

The Group allows a credit period ranging from 30 days to 150 days to its trade customers. The following is an ageing analysis of the Group's trade and bills receivables presented based on the invoice date at the reporting date:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
0-30 days	31,887	52,153
31-60 days	31,475	24,856
61-90 days	20,111	13,767
91-120 days	1,337	19,129
Over 120 days	531	6,895
	<u>85,341</u>	<u>116,800</u>

10. TRADE AND BILLS PAYABLES

The following is an ageing analysis of the Group's trade and bills payables presented based on the invoice date at the reporting date:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
0-60 days	38,212	41,087
61-90 days	6,993	6,314
Over 90 days	–	1,076
	<u>45,205</u>	<u>48,477</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the garment industry had operated in an environment full of challenges and opportunities. Nevertheless, the Group's customised out-sourcing capabilities enabled the Group to navigate successfully 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 (the "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 2.8% to approximately US\$62.0 billion during January to September of 2014, as compared to the corresponding period in last year. Although the US recorded a soft rebound, retailers have become increasingly price cautious in order to remain resilient. Thanks to the Group's successful implementation of its one-stop shop approach in garment sourcing and the Group's network of quality garment suppliers, the Group was able to remain competitive.

Continuing and discontinued operations

In order to better focus on the Garment Sourcing Business ("continuing operations") and to further leverage the Group's advantages, the Group had disposed of its Garment Manufacturing and Trading Business ("discontinued operations") on 22 July 2014, details of which were disclosed in the circular of the Company dated 18 June 2014 and Note 6 of the unaudited condensed consolidated interim financial statements included in this announcement. For the six months ended 30 September 2014, the Group's total revenue (including continuing and discontinued operations) decreased by approximately 8.0% on a year-on-year basis to approximately HK\$505.8 million (2013: approximately HK\$549.9 million). The decrease in total revenue (including continuing and discontinued operations) during the Period was mainly attributable to the incorporation of performance of the discontinued operations only up to 22 July 2014.

Gross profit (including continuing and discontinued operations) decreased by approximately 14.7% to approximately HK\$79.2 million (2013: approximately HK\$92.8 million) with gross profit margin decreased from approximately 16.9% to approximately 15.7%.

Profit (including continuing and discontinued operations) attributable to the owners of the Company reached approximately HK\$16.4 million, representing an approximately 7.9% increase as compared to the corresponding period in last year (2013: HK\$15.2 million).

Profit (including continuing and discontinued operations) of the Period included professional fees of approximately HK\$7.5 million and capital gain tax of HK\$1.2 million directly related to the Disposal. If these one-off expenses were excluded, the profit attributable to the owners of the Company would be approximately HK\$25.1 million.

Total comprehensive income (including continuing and discontinued operations) for the Period amounted to approximately HK\$9.1 million (2013: HK\$13.1 million), representing a decrease of approximately 31%. The decrease was primarily due to the release of foreign currency translation reserve of approximately HK\$7.9 million upon the Disposal.

Garment Sourcing Business – continuing operations

For the six months ended 30 September 2014, revenue contributed from the Garment Sourcing Business increased by approximately 20.0% to approximately HK\$203.1 million (2013: HK\$168.9 million). Such increase was mainly attributable to the Group's ability to source quality products with competitive prices from different garment sub-contractors, enabling the Group to successfully capture the recovering orders from the US and Canada during the Period. Such competitive advantages allowed the Group to grasp greater market shares in North America. With the Group's flexibility and capability to fulfill orders with a diversified garment sub-contractor network, the Group is capable to serve its customers with competitive price, fast lead time and quality workmanship.

The Garment Sourcing Business recorded a loss attributable to the owners of the Company of approximately HK\$2.2 million which included the abovementioned professional fees and capital gain tax related to the Disposal. If such one-off expenses were excluded, the Garment Sourcing Business would record a profit attributable to the owners of the Company of approximately HK\$6.5 million (2013: HK\$5.9 million).

CHANGE IN CONTROLLING SHAREHOLDERS AND BOARD OF DIRECTORS

Immediately after completion of the acquisition of Shares pursuant to a shares sale agreement dated 14 March 2014, on 22 July 2014, Unitech became interested in 320,000,000 Shares, representing approximately 61.56% of the entire issued share capital of the Company. Accordingly, Kingston Securities Limited, on behalf of Unitech, made an unconditional mandatory cash offer (the "Share Offer") for all the issued Shares not already owned and/or agreed to be acquired by Unitech and/or parties acting in concert with it. The composite document on the Share Offer was despatched to the Shareholders on 25 July 2014 (the "Despatch Date").

On 26 July 2014 (being the date immediately after the Despatch Date), in connection with the Share Offer, three new executive Directors, namely Mr. Gao Zhiyin, Mr. Gao Zhiping and Mr. Shi Jiguo, and one independent non-executive Director, namely Dr. Chen Yifan, have been appointed by the Board.

Before the close of the Share Offer on 15 August 2014, Shareholders holding 2,326,500 Shares have accepted the Share Offer, as a result of which Unitech held 322,326,500 Shares, representing approximately 62.01% of the total issued Shares.

With effect from 16 August 2014, being the day immediately after the first closing date of the Share Offer, each of Mr. Choi Lin Hung, Mr. Lau Kwok Wa, Stanley, Mr. Ng Tze On has resigned as an executive Director, each of Mr. Chen Tien Tui and Mr. Li Ming Hung has resigned as a non-executive Director and each of Mr. Lau Chi Kit, Mr. Mak Chi Yan, Mr. Wong Wai Kit, Louis and Mr. Yuen Kin Kei has resigned as an independent non-executive Director.

On the same day, Mr. Lau Chi Kit has been re-appointed as an independent non-executive Director; and Mr. Lam Kai Yeung has been appointed as an independent non-executive Director.

Details of above were disclosed in the Company's circular dated 18 June 2014, announcement dated 22 July 2014, composite document dated 25 July 2014 and announcement dated 18 August 2014.

PROSPECTS AND DEVELOPMENT PLAN

Following the completion of the Disposal, the Group will continue the Garment Sourcing Business. The Group will 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 Group on the availability of sufficient resources to finance new business opportunities, the Group intends to explore new business opportunities relating to the internet, IoT ("Internet of Things"), Tri-Network Integration and new media industries by utilizing Unitech's experience (being the controlling Shareholder) and resources, identify suitable projects and new investment opportunities in other sectors.

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\$6.0 million as at 30 September 2014. The Group did not have any bank borrowing as at 30 September 2014.

As at 30 September 2014, 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 2014: 17.2%), as the Group did not have any bank borrowings as at 30 September 2014. The Group's current ratio was approximately 1.7 (31 March 2014: 2.0).

For the Period, the Group's bank borrowings were in HK\$ and 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 2014.

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 are entered into by the Group for hedging purpose. The Group has not entered into any financial derivatives contracts for speculation. The Group had no outstanding financial derivatives contracts as at 30 September 2014.

Capital Expenditure and Commitments

During the Period, the Group has disposed of property, plant and equipment through the Disposal that included the manufacturing and trading of garment business, with an aggregate carrying value of approximately HK\$151.9 million. For the continuing operations, the Group did not have any material investment in property, plant and equipment in the Period. Nevertheless, during the six months ended 30 September 2013, the Group invested approximately HK\$11.4 million on additions to property, plant and equipment.

As at 30 September 2014, the Group had no commitment (as at 31 March 2014: HK\$Nil) in respect of acquisition of new machineries.

Charges on Assets

As at 30 September 2014, the Group had no pledged assets.

Dividends

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK1.0 cent per ordinary share of the Company).

During the Period, 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. The aggregate amount of the special dividend declared and paid amounted to approximately HK\$374.2 million.

Employee Information

As at 30 September 2014, the Group employed approximately 22 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 individual's and the Group'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 eligible participants with appropriate incentive to contribute to the success of the Group. As at 30 September 2014, all share options with the exercise prices of HK\$0.6 and HK\$0.844 granted under the share option scheme had been exercised in full.

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 six months ended 30 September 2014.

CORPORATE GOVERNANCE CODE

Save for the deviation discussed below, 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 2014.

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The roles of the chairman and the chief executive officer of the Company were not separate and both were performed by Mr. Choi Lin Hung until 16 August 2014, being the date of change of Board composition, details of which were disclosed in the announcement of the Company dated 18 August 2014. Since the Directors met regularly to consider major matters affecting the operations of the Company, the Directors considered that this structure did not impair the balance of power and authority between the Directors and the management of the Company before the change of Board composition on 16 August 2014.

Since 16 August 2014, Mr. Gao Zhiyin has been appointed as the chairman of the Company and Mr. Gao Zhiping has been appointed as the chief executive officer of the Company.

Therefore, the roles of the chairman and the chief executive officer of the Company are now separate and performed by Mr. Gao Zhiyin and Mr. Gao Zhiping respectively. The Board believes that such arrangement is in the best interest of the Company and the Shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman), Mr. Lau Chi Kit and Dr. Chen Yifan. Its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions.

The Audit Committee has reviewed with the management of the Group and discussed with the Company's external auditors and the management of the Group, the unaudited interim financial statements of the Group for the six months ended 30 September 2014 including the accounting principles and practices adopted by the Group and the Audit Committee was satisfied with the replies given.

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 2014.

APPRECIATION

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. 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, 28 November 2014

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, Dr. Chen Yifan and Mr. Lam Kai Yeung as independent non-executive Directors.