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HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED

高銳中國物聯網國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1682)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

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 2015 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	NOTES	2015 HK\$'000	2014 HK\$'000 (restated)
Continuing operation			
Revenue	2	365,690	282,089
Cost of sales		<u>(338,448)</u>	<u>(254,873)</u>
Gross profit		27,242	27,216
Other income		9	—
Net foreign exchange losses		(121)	—
Selling and distribution costs		(9,889)	(5,944)
Administrative expenses		<u>(17,695)</u>	<u>(12,686)</u>
(Loss) profit before taxation		(454)	8,586
Income tax expense	4	<u>(902)</u>	<u>(1,980)</u>
(Loss) profit for the year from continuing operation	7	<u>(1,356)</u>	6,606
Discontinued operations			
(Loss) profit for the year from discontinued operations	5	<u>(5,074)</u>	4,972
(Loss) profit for the year		<u>(6,430)</u>	<u>11,578</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligations		175	512
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>—</u>	<u>447</u>
Other comprehensive income for the year		<u>175</u>	<u>959</u>
<i>Reclassification adjustment:</i>			
Reclassification of exchange difference on dissolution of a subsidiary		<u>—</u>	<u>546</u>
Reclassification of exchange difference on disposal of subsidiaries		<u>(7,852)</u>	<u>—</u>
		<u>(7,852)</u>	<u>—</u>
Total comprehensive (expense) income for the year		<u><u>(14,107)</u></u>	<u><u>13,083</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the year ended 31 March 2015

	NOTE	2015 HK\$'000	2014 HK\$'000 (restated)
(Loss) profit for the year attributable to owners of the Company:			
— from continuing operation		(1,356)	6,606
— from discontinued operations		(5,477)	12,355
		<u>(6,833)</u>	<u>18,961</u>
Profit (loss) for the year attributable to non-controlling interests:			
— from continuing operation		—	—
— from discontinued operations		403	(7,383)
		<u>403</u>	<u>(7,383)</u>
		<u>(6,430)</u>	<u>11,578</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(14,510)	20,464
Non-controlling interests		403	(7,381)
		<u>(14,107)</u>	<u>13,083</u>
(Loss) earnings per share	8		
From continuing and discontinued operations			
Basic (HK cents)		<u>(1.34)</u>	<u>4.26</u>
Diluted (HK cents)		<u>(1.34)</u>	<u>3.89</u>
From continuing operation			
Basic (HK cents)		<u>(0.27)</u>	<u>1.48</u>
Diluted (HK cents)		<u>(0.27)</u>	<u>1.36</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,253	150,540
Prepaid lease payments		—	3,492
Goodwill		—	5,970
Intangible asset		—	1,000
Interest in a joint venture		—	—
Deferred tax assets		—	2,329
		1,253	163,331
Current assets			
Inventories		3,809	180,593
Trade and bills receivables	9	83,311	116,800
Deposits, prepayments and other receivables		36,723	81,794
Prepaid lease payments		—	99
Derivative financial instruments		—	3,705
Tax recoverable		—	183
Bank balances and cash		8,913	46,298
		132,756	429,472
Current liabilities			
Trade and bills payables	10	47,201	48,477
Other payables and accruals		9,183	31,229
Amount due to the immediate holding company		6,000	—
Amount due to a former subsidiary		28,046	—
Amounts due to related companies		—	4,144
Derivative financial instruments		—	306
Tax payable		1,499	15,381
Bank borrowings		—	111,206
		91,929	210,743
Net current assets		40,827	218,729
Total assets less current liabilities		42,080	382,060
Capital and reserves			
Share capital		5,198	4,502
Reserves		36,882	375,476
Equity attributable to owners of the Company		42,080	379,978
Non-controlling interests		—	(1,718)
Total equity		42,080	378,260
Non-current liabilities			
Defined benefit obligations		—	1,494
Deferred tax liabilities		—	2,306
		—	3,800
		42,080	382,060

NOTES

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

The Group has applied the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the amendments to HKFRSs and the new interpretation 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 revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments ⁵
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
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 and Consolidation Exception ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

2. REVENUE

The Group’s revenue for the year from continuing operation represents the amounts received and receivables for sourcing of garment products, less sales returns and allowances.

3. SEGMENT INFORMATION

The Group was involved in (i) garment trading business (trading and sourcing) and (ii) garment manufacturing business, which were included in the operating segment of “Segment A” and “Segment B” as defined in the Group’s last year’s consolidated financial statements under HKFRS 8.

Following the completion of disposal of subsidiaries as detailed in Note 5, 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 (“USA”).

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

	Revenue from external customers		Non-current assets	
	2015 HK\$’000	2014 HK\$’000 (restated)	2015 HK\$’000	2014 HK\$’000
USA	298,615	167,659	—	90
Canada	45,506	90,158	—	—
Mexico	18,719	16,789	—	—
Japan	1,847	1,434	—	—
France	1,003	6,049	—	—
Hong Kong	—	—	1,253	29,884
People’s Republic of China (“PRC”)	—	—	—	86,702
Cambodia	—	—	—	27,778
Indonesia	—	—	—	2,298
Jordan	—	—	—	14,239
Others	—	—	—	11
	<u>365,690</u>	<u>282,089</u>	<u>1,253</u>	<u>161,002</u>

Information about major customers

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

	2015 HK\$’000	2014 HK\$’000
Customer A	287,962	117,091
Customer B	—	35,113
Customer C	—	30,298
	<u>287,962</u>	<u>182,502</u>

4. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (restated)
Continuing operation		
Hong Kong profits tax		
— current year	917	1,992
— overprovision in respect of prior years	<u>(15)</u>	<u>(12)</u>
	<u>902</u>	<u>1,980</u>

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (restated)
(Loss) profit before taxation (from continuing operation)	<u>(454)</u>	<u>8,586</u>
Tax at the domestic income tax rate of 16.5%	(75)	1,417
Tax effect of expenses that are not deductible for tax purpose	84	588
Tax effect of income not taxable for tax purpose	(123)	(13)
Tax effect of tax losses not recognised	1,031	—
Overprovision in respect of prior years	<u>(15)</u>	<u>(12)</u>
Income tax expense for the year	<u>902</u>	<u>1,980</u>

5. 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 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 (“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).

5. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (Continued)

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 (“Shareholders”) at the special general meeting of the Company (the “SGM”) 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 have been separately presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. The presentation of comparative financial information for the year ended 31 March 2014 has been restated to conform to current year’s presentation.

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

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK\$’000	1 April 2013 to 31 March 2014 HK\$’000
Profit for the year	18,941	4,972
Losses arising from the Disposal	<u>(24,015)</u>	<u>–</u>
	<u>(5,074)</u>	<u>(4,972)</u>

The results of the Discontinued Operations for the relevant year, which have been included in the 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) HK\$’000	1 April 2013 to 31 March 2014 HK\$’000
Revenue	302,622	654,986
Cost of sales	<u>(238,497)</u>	<u>(515,353)</u>
Gross profit	64,125	139,633
Other income	451	2,545
Other gains and losses	204	4,902
Selling and distribution costs	(11,430)	(34,640)
Administrative expenses	(31,597)	(101,831)
Interest on bank borrowings	<u>(855)</u>	<u>(2,759)</u>
Profit before taxation	20,898	7,850
Income tax expense	<u>(1,957)</u>	<u>(2,878)</u>
Profit for the year from discontinued operations	<u>18,941</u>	<u>4,972</u>
Attributable to:		
Owners of the Company	18,538	12,355
Non-controlling interests	<u>403</u>	<u>(7,383)</u>
	<u>18,941</u>	<u>4,972</u>

5. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (Continued)

Loss per share

Basic loss per share from the Discontinued Operations is 1.07 HK cents per share (2014: earnings per share of 2.78 HK cents), based on the loss for the year from the Discontinued Operations attributable to owners of the Company of HK\$5,477,000 (2014: profit for the year of HK\$12,355,000).

Diluted earnings per share for the year ended 31 March 2014 from Discontinued Operations was 2.53 HK cents based on the profit for that year of HK\$12,355,000.

Profit for the year from Discontinued Operations include the following:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK\$'000	1 April 2013 to 31 March 2014 HK\$'000
Directors' remuneration	992	3,419
Other staff costs	<u>42,818</u>	<u>136,627</u>
Total staff costs	<u>43,810</u>	<u>140,046</u>
Depreciation of property, plant and equipment	6,704	20,742
Release of prepaid lease payments	25	99
Loss on disposal of property, plant and equipment	75	1,009
Impairment loss on intangible asset	1,000	—
Write-down of inventories	—	1,834
Interest on bank borrowings:		
— wholly repayable within five years	718	2,325
— not wholly repayable within five years, which contain a repayment on demand clause	<u>137</u>	<u>434</u>
	<u>855</u>	<u>2,759</u>
and after crediting:		
Net gain on fair value changes of derivative financial instruments	1,255	1,315
Interest income	<u>293</u>	<u>84</u>

5. 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 the 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/>
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.

6. DIVIDENDS

No final dividend was paid or proposed for the year ended 31 March 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil). An interim dividend of HK\$1.0 cent per ordinary share amounting to HK\$4,488,000 was paid to the Shareholders for the year ended 31 March 2014 (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 approximately HK\$374,239,000 (2014: Nil).

7. (LOSS) PROFIT FOR THE YEAR

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (restated)
Continuing operation		
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration	2,898	959
Share-based payment expenses	—	1,004
Other staff costs	9,660	8,171
	<hr/>	<hr/>
Total staff costs	12,558	10,134
	<hr/>	<hr/>
Auditor's remuneration	1,480	1,487
Depreciation of property, plant and equipment	228	11
and after crediting:		
Bank interest income (included in other income)	9	—
	<hr/> <hr/>	<hr/> <hr/>

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 for the year is based on the following data:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	(6,833)	18,961
	<hr/> <hr/>	<hr/> <hr/>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	508,437,671	445,058,499
Effect of dilutive potential ordinary shares in respect of share options	N/A	41,966,467
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	508,437,671	487,024,966
	<hr/> <hr/>	<hr/> <hr/>

8. (LOSS) EARNINGS PER SHARE *(Continued)*

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:

Earnings figures are calculated as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company	(6,833)	18,961
Less: (loss) profit for the year from the Discontinued Operations attributable to owners of the Company	(5,477)	12,355
	<hr/>	<hr/>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operation	(1,356)	6,606
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The computation of diluted loss per share does not assume the conversion of the Company's share options since their exercise would result in a decrease in loss per share from continuing operation.

9. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade and bills receivables (net of allowance for doubtful debts), presented based on the invoice date at the end of each reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 - 30 days	10,715	52,153
31 - 60 days	33,982	24,856
61 - 90 days	25,492	13,767
91 - 120 days	5,415	19,129
Over 120 days	7,707	6,895
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	83,311	116,800
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND BILLS PAYABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 - 60 days	16,063	41,087
61 - 90 days	16,349	6,314
Over 90 days	14,789	1,076
	<hr/>	<hr/>
	47,201	48,477
	<hr/> <hr/>	<hr/> <hr/>

BUSINESS REVIEW

During the year ended 31 March 2015, 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 USA, the Group's major export destination, has shown soft signs of recovery.

According to the Major Shippers Report released by the USA Department of Commerce, imports of apparel increased by approximately 2.5% to approximately US\$81.8 billion during January to December of 2014, as compared to the corresponding period last year. Although the USA 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

The Company disposed of its garment manufacturing and trading business ("Discontinued Operations") for a cash consideration of HK\$270 million on 22 July 2014, together with a tax indemnity receivable of HK\$3,425,000 (details of which were disclosed in the circular of the Company dated 18 June 2014 and Note 5, sub-headed "Loss arising from the Disposal" of the audited consolidated financial statements in this announcement).

The Disposal enables the Company to better focus on the Group's garment sourcing business ("continuing operation") and to further leverage the Group's advantages. The Company recorded a loss of approximately HK\$24 million from the Disposal, an analysis of such loss on the Disposal was disclosed in Note 5, sub-headed "Losses arising from the Disposal" of the audited consolidated financial statements in this announcement.

For the year ended 31 March 2015, the Group's total revenue (including continuing and discontinued operations) decreased by approximately 28.7% on a year-on-year basis to approximately HK\$668 million (2014: approximately HK\$937 million). The decrease in total revenue (including continuing and discontinued operations) during the year ended 31 March 2015 was mainly attributable to the incorporation of performance of the discontinued operations only up to 22 July 2014 upon the Disposal, details of which were disclosed in Note 5 to the audited consolidated financial statements in this announcement.

Gross profit (including continuing and discontinued operations) decreased by approximately 45.2% to approximately HK\$91 million (2014: approximately HK\$167 million) and gross profit margin decreased from approximately 17.8% to approximately 13.7%.

Loss (including continuing and discontinued operations) attributable to owners of the Company for the year ended 31 March 2015 was approximately HK\$7 million, representing an approximately 136.0% decrease as compared to last year (2014: profit of HK\$19 million).

Loss (including continuing and discontinued operations) for the year ended 31 March 2015 of approximately HK\$6.4 million (2014: profit of HK\$11.6 million) included professional fees of approximately HK\$8.4 million, tax arising on disposal of HK\$1.2 million and impairment loss recognised on the disposal group of approximately HK\$18.8 million directly related to the Disposal (collectively, "One-off Expenses"). If the One-off Expenses was excluded, the profit (including continuing and discontinued operations) attributable to the owners of the Company would be approximately HK\$22 million. Details of which were disclosed in Note 5, sub-headed "Losses arising from the Disposal" to the audited consolidated financial statements in this announcement.

Total comprehensive expense (including continuing and discontinued operations) for the year ended 31 March 2015 amounted to approximately HK\$14 million (2014: income of HK\$13 million), representing a decrease of approximately 207.8%. The decrease was primarily due to the release of foreign currency translation reserve of approximately HK\$8 million upon the Disposal, the One-off Expenses in relation to the Disposal mentioned above.

Garment Sourcing Business — continuing operation

For the year ended 31 March 2015, revenue contributed from the garment sourcing business of the Group (“Garment Sourcing Business”) increased by approximately 29.6% to approximately HK\$366 million (2014: HK\$282 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 USA and Canada during the year under review. 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 of serving 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\$1 million (2014: profit of HK\$7 million) due to the increase in selling and administrative expenses including sampling expenses, Wanchai new office rental, and newly appointed Directors’ fee while gross profit maintained at approximately HK\$27 million (2014: HK\$27 million).

Major Disposal of Subsidiaries and Change in Controlling Shareholders

As disclosed in the Company’s announcement dated 22 July 2014, all conditions precedent to the Disposal Agreement had been fulfilled and completion of the Disposal took place on 22 July 2014 in accordance with the terms thereof. In other words, the Company disposed of its garment manufacturing and trading business to Sure Strategy for HK\$270 million in cash as consideration and tax indemnity receivable of HK\$3,425,000 (details of which were disclosed in Note 5, sub-headed “Losses arising from the Disposal” to the audited consolidated financial statements in this announcement).

Immediately after completion of the acquisition of shares of the Company (the “Shares”) pursuant to a share sale agreement dated 14 March 2014, Unitech Enterprises Group Limited (“Unitech”) became interested in 320,000,000 Shares, representing approximately 61.56% of the entire issued share capital of the Company on 22 July 2014. 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 of the Company (the “Shareholders”) on 25 July 2014 (the “Despatch Date”).

Upon 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.

Details of above were also disclosed in the Company’s composite document dated 25 July 2014 and announcement dated 15 August 2014.

CHANGE OF COMPOSITION OF THE BOARD

During the year ended 31 March 2015 and up to the date of this announcement, the Company has had the following changes in the composition of its Board and Board committees:

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, were appointed by the Board.

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 resigned as an executive Director, each of Mr. Chen Tien Tui and Mr. Li Ming Hung 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 resigned as an independent non-executive Director.

On the same day (i.e. 16 August 2014), (i) Mr. Choi Lin Hung also resigned as the chief executive officer of the Company and the chairman of the Board and ceased to be the authorised representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange (“Listing Rules”) and under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); (ii) Mr. Gao Zhiyin, an executive Director, was appointed as the chairman of the Board and the authorised representative of the Company under Rule 3.05 of the Listing Rules; (iii) Mr. Gao Zhiping, an executive Director, was appointed as the chief executive officer of the Company; (iv) Mr. Lau Chi Kit was re-appointed as an independent non-executive Director; and (v) Mr. Lam Kai Yeung was appointed as an independent non-executive Director.

On the same day (i.e. 16 August 2014), the composition of the Board committees was then as follows:

- The audit committee of the Company (the “Audit Committee”) comprised three independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman), Mr. Lau Chi Kit and Dr. Chen Yifan.
- The remuneration committee of the Company (the “Remuneration Committee”) comprised two independent non-executive Directors, namely Dr. Chen Yifan (chairman) and Mr. Lau Chi Kit and one executive Director, namely Mr. Gao Zhiyin.
- The nomination committee of the Company (the “Nomination Committee”) comprised one executive Director, namely Mr. Gao Zhiyin (chairman) and two independent non-executive Directors, namely Mr. Lau Chi Kit and Dr. Chen Yifan.

Details of above were disclosed in the Company’s circular dated 18 June 2014, announcements dated 22 July 2014 and dated 18 August 2014.

On 9 April 2015, Dr. Chen Yifan resigned as an independent non-executive Director. Upon his resignation, Dr. Chen Yifan also ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

On the same day (i.e. 9 April 2015), the Board appointed Mr. Lam Kai Yeung, an independent non-executive Director, as the chairman of the Remuneration Committee and a member of the Nomination Committee.

Following the resignation of Dr. Chen Yifan, (i) the Company has only two independent non-executive Directors, which falls below the minimum number required under Rule 3.10(1) of the Listing Rules and (ii) the Audit Committee comprises only two members, which falls below the minimum number required under Rule 3.21 of the Listing Rules. The Board will identify and appoint a new independent non-executive Director to fill the vacancy as soon as possible. The Company will make a further announcement in relation to such appointment as and when appropriate.

As at the date of this announcement, the composition of the Board committees is as follows:

- The Audit Committee comprises two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Lau Chi Kit.
- The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Lau Chi Kit and one executive Director, namely Mr. Gao Zhiyin.
- The Nomination Committee comprises one executive Director, namely Mr. Gao Zhiyin (chairman) and two independent non-executive Directors, namely Mr. Lau Chi Kit and Mr. Lam Kai Yeung.

Details of above were disclosed in the Company's announcement dated 9 April 2015.

Prospects and Development Plan

The Group will continue the Garment Sourcing Business after the Disposal. 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.

During the year under review, the Board had been reorganized. Under the leadership of the reorganized Board, the Board intends to explore new business opportunities in the internet, IoT ("Internet of Things"), tri-network integration and new media industries by utilizing the experience of Unitech (being the controlling Shareholder) and resources, identify suitable projects and new investment opportunities in other sectors.

As disclosed in the Company's announcement dated 25 March 2015, an agreement (the "Agreement") was entered into by the Company as purchaser and Unitech and other sellers (the "Sellers") in relation to the proposed transfer of the entire issued share capital of Highlight Holding Limited from the Sellers to the Company pursuant to the terms of the Agreement (the "Acquisition") and the assignment of loan from Unitech to the Company at the total consideration of HK\$36,450,903,600, which shall be satisfied by the issue and allotment of Shares by the Company to the Sellers at the issue price of HK\$2.87 per Share.

The Acquisition constitutes a very substantial acquisition for the Company, a connected transaction of the Company as Unitech is a connected person of the Company by virtue of it being a controlling Shareholder; and a reverse takeover for the Company. Closing of the Acquisition is conditional upon the satisfaction of the conditions precedent as set out in the Agreement.

Details of the above were disclosed in the Company's announcement dated 25 March 2015.

The Board will strive to explore new business opportunities and thus enhance financial performance, so as to create better returns for Shareholders in the long run.

MATERIAL DISPOSAL OF SUBSIDIARIES AND PROPOSED ACQUISITION

Save as disclosed in the paragraph under the section headed "Major Disposal of Subsidiaries and Change in Controlling Shareholders" and "Prospects and Development Plan" above, the Group did not make any material disposal of subsidiaries and did not have any proposed material acquisition during the year ended 31 March 2015.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained a healthy financial position for the year ended 31 March 2015 with cash and cash equivalents amounting to approximately HK\$9 million as at 31 March 2015. The Group did not have any bank borrowing as at 31 March 2015.

As at 31 March 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 (2014: 4.1%), as the Group did not have any bank borrowings as at 31 March 2015. The Group's current ratio, being total current assets divided by total current liabilities, was approximately 1.4 (2014: 2.0).

For the year ended 31 March 2015, 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 31 March 2015.

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 31 March 2015.

Capital Expenditure and Commitments

During the year ended 31 March 2015, the Group 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 operation, the Group did not have any material investment in property, plant and equipment in the year ended 31 March 2015. Nevertheless, during the year ended 31 March 2015, the Group invested approximately HK\$10.5 million on additions to property, plant and equipment.

As at 31 March 2015, the Group had no commitment (as at 31 March 2014: Nil) in respect of acquisition of new machineries and no significant capital commitments.

Charges on Assets

As at 31 March 2015, the Group had no pledged assets.

Dividends

The Board has resolved not to declare any final dividend for the year ended 31 March 2015 (for the year ended 31 March 2014: 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 approved by the Shareholders at the SGM held on 10 July 2014. The aggregate amount of the special dividend declared and paid amounted to approximately HK\$374 million.

Employee Information

As at 31 March 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. During the year ended 31 March 2015, 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 and there is no outstanding share option.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2015.

CORPORATE GOVERNANCE CODE

Save for the deviation disclosed 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 year ended 31 March 2015.

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 have been separate and performed by Mr. Gao Zhiyin and Mr. Gao Zhiping respectively since 16 August 2014. 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 two independent non-executive Directors namely Mr. Lam Kai Yeung (chairman) and Mr. Lau Chi Kit. It was established by the Board on 8 September 2010 and its duties are clearly defined in its 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, (i) the Company has only two independent non-executive Directors, which falls below the minimum number required under Rule 3.10(1) of the Listing Rules and (ii) the Audit Committee comprises only two members, which falls below the minimum number required under Rule 3.21 of the Listing Rules. The Board will identify and appoint a new independent non-executive Director to fill the vacancy as soon as possible. The Company will make a further announcement in relation to such appointment as and when appropriate.

The Audit Committee has reviewed the audited annual financial statements of the Group for the year ended 31 March 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 in ("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 2015.

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

Hong Kong, 30 June 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 and Mr. Lam Kai Yeung as independent non-executive Directors.