



HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED

高銳中國物聯網國際有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 1682



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Corporate Information

BOARD OF DIRECTORS

Executive Directors*

Mr. Zhi Hua (*Chairman*)
(*appointed on 13 September 2017*)
Mr. Lam Kai Yeung (*Chief Executive Officer*)
Mr. Ma Jun (*Chief Operation Officer*)
(*appointed on 30 November 2017*)

Independent Non-Executive Directors#

Mr. Li Hui (*appointed on 17 May 2017*)
Mr. Chau On Ta Yuen
(*appointed on 19 September 2017*)
Dr. Lam Lee G.
(*appointed on 29 September 2017*)

Non-Executive Director##

Mr. Chan Kin (*appointed on 12 June 2017*)

AUDIT COMMITTEE

Dr. Lam Lee G. (*Chairman*)
Mr. Li Hui
Mr. Chau On Ta Yuen

REMUNERATION COMMITTEE

Mr. Chau On Ta Yuen (*Chairman*)
Mr. Zhi Hua
Dr. Lam Lee G.

NOMINATION COMMITTEE

Mr. Zhi Hua (*Chairman*)
Mr. Chau On Ta Yuen
Dr. Lam Lee G.

COMPANY SECRETARY*

Mr. Lam Kai Yeung

AUTHORISED REPRESENTATIVES*

Mr. Zhi Hua
Mr. Lam Kai Yeung

LEGAL ADVISERS AS TO HONG KONG LAW

Paul Hastings

AUDITOR^

Pan-China (H.K.) CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th & 26th Floor
No. 238 Des Voeux Road Central, Hong Kong

STOCK CODE

1682

COMPANY WEBSITE

www.highlightiot.com

Corporate Information (Continued)

1. * *Mr. Gao Zhiyin resigned as the Chairman of the Board and executive Director on 13 September 2017. Mr. Gao Zhiping resigned as the chief executive officer and executive Director on 13 September 2017. Mr. Shi Jiguo resigned as an executive Director on 31 May 2017. Mr. Feng Chen retired as an executive Director after the conclusion of the 2017 AGM. Mr. Lam Kai Yeung was appointed as an executive Director on 30 June 2017 and the chief executive officer of the Company on 13 September 2017. Mr. Lam served as an independent non-executive Director from 16 August 2014 to 1 May 2017 and the chief financial officer of the Company from 1 May 2017 to 12 September 2017.*
2. # *Mr. Ma Ming resigned as an independent non-executive Director on 19 September 2017. Mr. Lau Chi Kit resigned as an independent non-executive Director on 29 September 2017.*
3. ## *Mr. Shum Ngok Wa resigned as a non-executive Director on 14 June 2017.*
4. ■ *On 30 November 2017, Ms. Sze Suet Ling resigned as a company secretary and an authorised representative, Mr. Lam Kai Yeung was appointed as company secretary and Mr. Zhi Hua was appointed as an authorised representative.*
5. ^ *Messrs. Deloitte Touche Tohmatsu resigned as auditor of the Company on 31 August 2017. Messrs. Pan-China (H.K.) CPA Limited was then appointed as auditor of the Company on the same date (i.e. 31 August 2017).*

Management Discussion and Analysis

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2017 (the "Period").

BUSINESS REVIEW

The Group is principally engaged in the garment sourcing management business. In the past, the main types of customer for garment sourcing management business were brand owners / operators, outlets, department stores and supermarket chains. Over the past few years, due to the change of consumers' spending habit, e.g. consumers spent more of their income on mobile electronics, personal services and rentals, and their expenditure on garment and accessories has dropped significantly. In addition, the online sales also severely hit the traditional retail industry. At the same time, the pace of global investment has slowed down and the growth of trade became sluggish. The business conditions of the garment customers in the United States and Canada continued to decline, as reflected mainly by the general decline of same-store sales, the general decline of net profits (or even recoding loss), the high gearing ratio, which led to the decline of net assets and difficulties in operation, and some of them even experienced the closure of large retail stores, the realization of real assets and the plunge into liquidity crisis. As affected by such, the Group's business also suffered a serious setback. In order to prevent the sales receivables, which have already been shrinking, from becoming bad debts, it is necessary to change the composition of the customers.

During the Period under review, the global economy recovered moderately with increasing uncertainty of risks in international politics and economy. The economy of China remained stable with good momentum for growth. The Group has adopted strategies to expand its business scope to more geographical locations, especially in the PRC where the purchasing power is strengthening day by day. By conducting diversified garment sourcing management business in more geographical locations, the Group has reduced the business proportion from Canada and the United States which once being the Group's main export destinations. At the same time, the Group continued to expand its network of suppliers to include more diversified garment products so as to broaden its products base.

Due to the reasons set out above, during the Period under review, revenue from the garment sourcing management business amounted to HK\$74,791,000, representing an increase of approximately 40.63% (2016: approximately HK\$53,184,000); Gross profit margin was approximately 9.43%, representing a growth of approximately 0.24% (2016: approximately 9.19%); Other income which mainly being interest income amounted to approximately HK\$28,000, representing a decrease of approximately 75.44% (2016: approximately HK\$114,000), which was mainly attributable to the decrease in bank deposits; Other gain/(loss) amounted to approximately HK\$3,327,000 (2016: approximately HK\$(28,000)), mainly due to certain directors have waived their unclaimed fees for current Period and prior years; Selling and distribution costs was nil (2016: approximately HK\$1,111,000), and such decrease was mainly attributable to the passing on of such costs to customers; Administrative expenses amounted to approximately HK\$7,306,000, representing a decrease of approximately 5.86% (2016: approximately HK\$7,761,000), mainly as a result of stringent control on costs of the Group; Profit/(loss) and total comprehensive income/(expense) attributable to the owners of the Company was approximately HK\$3,098,000 (2016: approximately HK\$(3,898,000)).

Management Discussion and Analysis (Continued)

During the Period under review, in May 2017, the Company has entered into two separate agreements in relation to (i) the cooperation with Shangrao branch of Jiangxi Province Broadcasting and Television Network Communication Co., Ltd (“Jiangxi Broadcasting”) on the development and operation of the Integrated Information Service Platform on the network of Jiangxi Broadcasting (as set out in the Company’s announcement dated 18 May 2017); and (ii) the cooperation with Pingyang Wasu Broadcasting and Television Network Co., Ltd. (“Pingyang Wasu”) on the development and operation of the Platform for the provision of comprehensive town management, market supervision, comprehensive law enforcement, public convenience and other services in Pingyang County (as set out in the Company’s announcement dated 22 May 2017). Both the cooperation agreements with Jiangxi Broadcasting and with Pingyang Wasu are the framework agreements for the strategic cooperation among respective parties. Currently the Group are particularly interested in the internet financial platforms in the two projects. The specific details of these cooperation are subject to the final agreements, and the framework agreements remain to be negotiated, and have yet to be entered with Jiangxi Broadcasting and Pingyang Wasu respectively as at 30 September 2017.

PROSPECTS

On 19 July 2017, Mr. Zhi Hua, the Company’s current Chairman of the Board, through his wholly owned Rosy Lane International Limited, made an unconditional mandatory cash offer for all the Company’s shares in issue (other than those already owned or to be acquired by the Offeror and parties acting in concert with it), and the offer was completed on 12 September 2017. After the close of the offer, the Offeror intends to maintain the Company’s listing status and to continue the existing principal businesses of the Group. The Offeror will review the Group’s financial condition and operation and will formulate the Group’s long-term business plans and strategies; and will search for other business opportunities and consider the suitability of any asset sale, asset acquisition, business modification, divestment, fund raising, business reorganization and/or business diversification as to the enhancement of the Group’s long-term development potentiality.

According to the International Monetary Fund (IMF) in its World Economic Outlook Update published on 23 July 2017, the pace of global economic recovery has been firmer, as the improved growth in Mainland China and Europe as well as Japan has been offset by the sluggish momentum from the downward revision of the economic forecasts in the United States (the U.S.) and the United Kingdom (the U.K). The IMF expects that the global economy will grow by 3.5% in 2017 and 3.6% in 2018, in line with the forecast made in the previous report of the World Economic Outlook for April this year. The U.S. economic growth forecast for the current year and next year has been lowered by 0.2% and 0.4% respectively, to both 2.1%. It is because though the government spending plan promised by the U.S. President Trump is expected to boost the economy, the plan has yet to be finalized. The U.K. economic growth forecast for the current year is also revised down by 0.3% to 1.7%, as the economic activity in the first quarter is weaker than expected, while the impact of Brexit remains ‘uncertain’. However, the growth prospects of the member countries of Eurozone such as France, Germany, Italy and Spain have all improved. The Eurozone’s economic growth is projected at 1.9% this year and 1.7% next year. Japan’s economic growth forecast is also improving and is expected to expand to 1.3% this year, but is expected to slow significantly to 0.6% in 2018. The PRC is still the major locomotive of global growth – under the promotion from the economic policies of the Beijing authorities, this year’s economy is expected to expand by 6.7% and to grow by 6.4% next year.

Management Discussion and Analysis (Continued)

Looking forward, along the global economy recovery, the Group will continuously explore new products, new suppliers, and searches for new clients so as to broaden the sources of revenue. On 10 Oct 2017, the Group has entered into a long-term supply agreement in garment sourcing management business with Hangzhou Welfull Group Co., Ltd (杭州匯孚集團有限公司). Welfull Group Co., Ltd (formerly known as Zhejiang Provincial Second Light Industry Enterprises Group Imp. & Exp. Co., Ltd (浙江省二輕企業集團進出口有限公司)) is a large-scale Zhejiang province-based enterprise. Welfull Group Co., Ltd has a wide business scope and huge series of products, among which the main export items are garments and textile, as well as bags, hardware, furniture, building materials, leisure goods, arts and crafts, toy and grocery, electron and electric apparatus and machinery equipment etc. Welfull Group Co., Ltd has own an brand industrial export base which covers fifty thousand square meters in Deqing Economy Development Zone within Zhejiang Province. Its ASART brand has already enjoyed "China Well-known Trademark", and was successively recognized as Zhejiang Brand Name Products, Zhejiang Famous Brand and Zhejiang Export Brand name Products, etc. As a supplier for the Group, Welfull Group Co., Ltd will long time stably supply the products needed by the Group and contribute to product diversification and facilitating the client diversification of the Group.

The principal business of the Group is the garment sourcing management business. Mr. Zhi Hua, the Chairman of the Group, has extensive entrepreneurial and corporate management experiences. Since 2000, he has been involved in the garment sourcing management business and has possessed many years of experience in the management of similar businesses. In order to consolidate, develop and expand such principal business of the Group, Mr. Ma Jun, who possessed many years of experience in large scale garment manufacturing and trading, was appointed as the Chief Operating Officer on 16 October 2017. Currently, the management of the Group is actively reorganizing the trading team so as to contribute to the sales and profitability of the Group in future. Meanwhile the Group is actively looking for other reliable suppliers and clients as well as making contact with old clients, enabling the Group to provide a diversified garment sourcing management business. At the same time, the Group will strive to seek for new business opportunities so as to broaden the Group's sources of revenue and make every effort to create higher returns for our shareholders. However, currently there has not yet have any arrangement, agreement, understanding or negotiation in relation to any new business (other than the existing garment sourcing management business and the aforementioned cooperation agreements with Jiangxi Broadcasting and Pingyang Wasu).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2017, the Company had total assets of approximately HK\$64,742,000 (at 31 March 2017: approximately HK\$40,230,000) (including cash and bank balances of approximately HK\$7,485,000 (at 31 March 2017: approximately HK\$2,509,000)) which were financed by current liabilities of approximately HK\$55,340,000 (at 31 March 2017: approximately HK\$34,350,000) (including amount due to directors of approximately HK\$5,554,000) (at 31 March 2017: approximately HK\$8,657,000), long-term liability of approximately HK\$424,000 (at 31 March 2017: Nil) and shareholders' equity of approximately HK\$8,978,000 (at 31 March 2017: approximately HK\$5,880,000).

Management Discussion and Analysis (Continued)

As at 31 October 2017, the Company had total assets of approximately HK\$103,115,000 (including cash and bank balances of approximately HK\$9,082,000) which were financed by current liabilities of approximately HK\$64,760,000 (including amount due to directors of approximately HK\$954,000), long-term liability of approximately HK\$414,000 and shareholders' equity of approximately HK\$37,941,000.

The Company generally services its debts primarily through cash generated from its operations. As at 30 September 2017 and 31 October 2017, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 1.15:1 (at 31 March 2017: 1.17:1) and 1.57:1 respectively, the gearing ratio of the Group, defined as a ratio between total debts over total assets, was 1:1.16 (at 31 March 2017: 1:1.17) and 1:1.58 respectively. The controlling shareholder of the Group, Mr. Zhi Hua, has promised to provide all necessary financial support to the Group. The Group also approach other strategic investors to invest in the Company to cope with the financial needs of the Company. Therefore, the directors of the Company believe that the Group has sufficient fund for developing Existing business.

Foreign Exchange and Risk Management

The Group's working capital is mainly financed through internal generated cash flows and recent placement of new shares in October 2017 as general capital. The management of the Group regularly monitors the funding requirements of the Group to support its operations and its development plans. Most of the Group's cash balances were deposits in US\$, HK\$ and RMB in major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US\$, HK\$ and RMB.

Foreign exchange risks arising from sales and purchases transaction in different currencies can be managed by the Group through the using foreign exchange hedge contracts. Pursuant to the Group's current policy, foreign exchange hedge contracts or any other financial derivatives contracts can be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contract in the Period under review and had no outstanding financial derivative contracts as at 30 September 2017.

Capital Expenditure and Commitments

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

As at 30 September 2017, the Group had no commitment (as at 31 March 2017: Nil) in respect of acquisition of new machineries and no significant capital commitments.

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

Charges on Assets

As at 30 September 2017, the Group had no pledged assets (at 31 March 2017: Nil).

Management Discussion and Analysis (Continued)

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2017 (at 31 March 2017: Nil).

Important events affecting the Group after the reporting period

Placing of new shares under general mandate and use of proceeds

On 20 September 2017, the Company entered into the Placing Agreement to place for up to 32,200,000 Placing Shares at the Placing Price of HK\$0.93 per Placing Share. On 13 October 2017, the Placing have been completed in accordance with the terms and conditions of the Placing Agreement. the aggregate net proceeds from the Placing (after deducting all applicable costs and expenses, including commission and levies) amounted to approximately HK\$29,000,000. For details, please refer to the announcement of the Company dated 20 September 2017 and 13 October 2017.

As set out in the announcement of the Company dated 13 October 2017, the net proceeds were intended to be used as general working capital. As at 31 October 2017, the majority net proceeds have been used as general working capital of which HK\$4,600,000 was used for repayment of advance from the controlling shareholder Mr. Zhi Hua.

Increase of authorised share capital and change of company name

On 13 November 2017, the following resolutions, amongst others, were approved by the Company's Shareholders at the Special General Meeting:

1. To approve the increase of the authorised share capital of the Company from HK\$9,000,000 divided into 900,000,000 ordinary Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary Shares of HK\$0.01 each by the creation of additional 9,100,000,000 ordinary Shares.
2. To approve the change of English name of the Company from "Highlight China IoT International Limited" to "Hua Long Jin Kong Company Limited" and to adopt the Chinese name "華隆金控有限公司" as the secondary name of the Company in place of "高銳中國物聯網國際有限公司". (the "Proposed Change of Company Name").

Subject to the satisfaction of the Registrar of Companies in Bermuda granting approval for the Proposed Change of Company name, the Proposed Change of Company name will take effect from the date of entry of the new English name and the secondary name of the Company on the register maintained by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Once the Proposed Change of Company name becomes effective, subject to the confirmation of the Stock Exchange, the English and Chinese stock short names of the Company for trading of the Shares on the Stock Exchange will also be changed afterwards. For details, please refer the Company announcement dated 16 October 2017, circular dated 18 October 2017 and announcement dated 13 November 2017.

Management Discussion and Analysis (Continued)

Establishment of a wholly-owned subsidiary

On 1 November 2017, the Company established a wholly-owned subsidiary, namely Zhejiang Wang Cheng Import & Export Co., Ltd.* (“Zhejiang Wang Cheng”), with a registered capital of RMB 100,000,000. Zhejiang Wang Cheng was registered in Hangzhou city, Zhejiang province. The business scope of Zhejiang Wang Cheng as shown in its business license includes wholesale and retail: garment, bags and luggage, shoes and hats and textiles; artistic gifts etc. The main purpose of the establishment of Zhejiang Wang Cheng is to expand China and overseas garment trade business.

As as disclosed above, no more important events affecting the Group since 30 September 2017 and up to the date of this report

Significant investments, material acquisitions and disposals

For the six months ended 30 September 2017, there was no material investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group.

Employee Information

As at 30 September 2017, the Group employed approximately 11 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 Group incurred staff costs (excluding Directors' remuneration) of approximately HK\$1,485,000 for the six months ended 30 September 2017. The Group encourages its staffs to attend training courses which can achieve self-improvement and enhance their skill and knowledge.

The Company maintains the 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. However, the refreshment of the Share Option Scheme approved at annual general meeting held on 29 September 2017 has not been granted to any eligible participants.

Throughout the six months ended 30 September 2017 and as at 30 September 2017, there was no outstanding share option.

Other Disclosures

CHANGE IN CONTROLLING SHAREHOLDER

On 12 July 2017, Rosy Lane International Limited ("Rosy Lane"), which is wholly owned by Mr. Zhi Hua, a Director, acquired 322,326,500 Shares (representing approximately 62.01% of the entire issued share capital of the Company) from the old controlling shareholder and made unconditional mandatory cash offer to other shareholders. Upon the close of the Share Offer on 12 September 2017, Shareholders holding 82,904 Shares had accepted the Share Offer, as a result of which Rosy Lane held 322,409,404 Shares, representing approximately 62.03% of the total issued Shares. For details, please refer to the Company's announcement dated 13 July 2017, 19 July 2017, 22 August 2017 and 12 September 2017.

Rosy Lane holds approximately 58.41% of issued share capital of the Company after the placement of new Shares under general mandate, please refer to our announcement dated 13 October 2017 for more details.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (for the six months ended 30 September 2016: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, the interests and short positions of the Directors or chief executive of the Company in the Shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Number of Director	Name of Group member	Capacity	Name of shares held and class of securities (note 1)	Approximate percentage of shareholding
Mr. Zhi Hua	Rosy Lane International Limited	Interest of controlled corporation	322,409,404 Shares (L) (note 2)	62.03%*

* The percentage has been calculated based on 519,777,000 Shares as at 30 September 2017.

notes:

1. The letter "L" denotes the Directors' long position in the Shares.
2. Rosy Lane International Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua.

Other Disclosures (Continued)

Save as disclosed above in this report, as at 30 September 2017, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and chief executive of the Company) had interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of shares held and class of securities (note 1)	Approximate percentage of shareholding
Rosy Lane International Limited	Beneficial owner	322,409,404 Shares (L) (note 2)	62.03%*
Mr. Ng Tsze Lun	Beneficial owner	50,173,000 Shares (L)	9.65%*
Ms. Yau Yuk Chun Carole (note 3)	Interest of spouse	50,173,000 Shares (L)	9.65%*

* The percentage has been calculated based on 519,777,000 Shares as at 30 September 2017.

notes:

1. The letter "L" denotes the individual's or the corporation's long position in the Shares.
2. Rosy Lane International Limited was wholly owned by Mr. Zhi Hua.
3. Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun.

Other Disclosures (Continued)

Save as disclosed above, as at 30 September 2017, there was no other person who was recorded in the register of the Company as having interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010. The annual general meeting held on 29 September 2017 approved the refreshment of the scheme limit under the Share Option Scheme of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants, including eligible Directors, eligible employees and any other eligible persons, for their contributions to the Group. The Share Option Scheme will remain in force for a period of ten years from the date of its adoption.

There was no unexercised outstanding granted share option-throughout the Period and as at 30 September 2017.

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 Period.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions ("Code Provisions") under the Corporate Governance Code throughout the Period except for the following deviations:

Code Provision A.6.7 which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Feng Chen, a retired Director, and Mr. Lau Chi Kit, a resigned independent non-executive Director, was unable to attend the 2017 AGM.

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

Other Disclosures (Continued)

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Lam Lee G. (chairman), Mr. Li Hui and Mr. Chau On Ta Yuen. The Audit Committee's duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Audit Committee has reviewed, with the Company's external auditor, the unaudited interim financial statements of the Group for the six months ended 30 September 2017 including the accounting principles and practices adopted by the Group and this interim report.

In addition, the external auditor of the Company has reviewed the unaudited interim results for the six months ended 30 September 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one executive Director, namely Mr. Zhi Hua (chairman) and two independent non-executive Directors, namely Mr. Chau On Ta Yuen and Dr. Lam Lee G. It was established on 19 March 2012 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Nomination Committee can be found in the websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Chau On Ta Yuen (chairman) and Dr. Lam Lee G. and one executive Director, namely Mr. Zhi Hua. 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. The revised terms of reference of Remuneration Committee can be found in the websites of the Stock Exchange and the Company.

COMPLIANCE WITH 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. Having made specific enquiries with the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Period.

Other Disclosures (Continued)

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly conducted by subsidiaries of the Company in Hong Kong, the United States and the PRC, and the Company itself is listed on the Stock Exchange. To the best of our knowledge and save for disclosed below, during the Period, there was no material breach of or non-compliance by the Group with the applicable laws and regulations that have a significant impact on the business and operation of the Group.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Dr. Lam Lee G. ("Dr. Lam")

Save as disclosed on 29 September 2017, Dr. Lam has been appointed as an independent non-executive director of Kidsland International Holdings Limited 凱知樂國際控股有限公司 (stock code: 2122) in November 2017, a company listed on the Main Board of the Stock Exchange. He was appointed as a non-executive director of Adamas Finance Asia Limited (stock code: ADAM) in October 2017, a company listed on the London Stock Exchange, and on 10 November 2017, he also be appointed as non-executive director and vice chairman of China Shandong Hi-Speed Financial Group Limited (stock code: 0412).

APPRECIATION

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

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

On behalf of the Board

Highlight China IoT International Limited

Zhi Hua

Chairman

Hong Kong

27 November 2017

Report on Review of Condensed Consolidated Financial Statements

TO THE MEMBERS OF HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED

高銳中國物聯網國際有限公司

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 24, which comprises the condensed consolidated statement of financial position of Highlight China IoT International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at September 30, 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

PAN-CHINA (H.K.) CPA LIMITED

Certified Public Accountants

Hong Kong, 27 November 2017

Chan Kin Wai

Practising Certificate Number P05342

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	NOTES	For the six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	74,791	53,184
Cost of sales		(67,740)	(48,296)
Gross profit		7,051	4,888
Other income		31	114
Other gains and losses	4	3,327	(28)
Selling and distribution costs		–	(1,111)
Administrative expenses		(7,306)	(7,761)
Finance costs		(5)	–
Profit (loss) before tax		3,098	(3,898)
Income tax expense	5	–	–
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company	6	3,098	(3,898)
Earnings (loss) per share	8		
Basic (HK cents)		0.60	(0.75)
Diluted (HK cents)		0.60	(0.75)

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	NOTES	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Non-current asset			
Property, plant and equipment	9	1,353	–
Current assets			
Trade receivables	10	53,998	3,037
Deposits, prepayments and other receivables		1,906	30,699
Amount due from a former subsidiary		–	3,105
Tax recoverable		–	880
Bank balances and cash		7,485	2,509
		63,389	40,230
Current liabilities			
Trade payables	11	46,332	2,801
Other payables and accruals		2,142	1,230
Amount due to the immediate holding company		–	20,462
Amount due to directors		5,554	8,657
Obligation under finance lease		112	–
Tax payable		1,200	1,200
		55,340	34,350
Net current assets		8,049	5,880
Total assets less current liabilities		9,402	5,880
Non-current liabilities			
Obligation under finance lease		424	–
Net assets		8,978	5,880
Capital and reserves			
Share capital	12	5,198	5,198
Reserves		3,780	682
Total equity		8,978	5,880

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Attributable to owners of the Company				
	Share capital HK\$'000	Special reserve HK\$'000 (note i)	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	5,198	18,787	(3)	(6,659)	17,323
Loss and total comprehensive expense for the period	–	–	–	(3,898)	(3,898)
At 30 September 2016 (unaudited)	5,198	18,787	(3)	(10,557)	13,425
At 1 April 2017 (audited)	5,198	18,787	(3)	(18,102)	5,880
Profit and total comprehensive income for the period	–	–	–	3,098	3,098
At 30 September 2017 (unaudited)	5,198	18,787	(3)	(15,004)	8,978

note (i): The special reserve represents (a) the reserve arising from a previous group reorganisation; and (b) cancellation of share premium, less special dividend of HK\$374,239,000, in prior years.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash generated from (used in) operating activities	226	(13,152)
Net cash (used in) generated from investing activities:		
Interest received	28	114
Purchase of property, plant and equipment	(814)	–
	(786)	114
Net cash generated from financing activities:		
Advance from former immediate holding company	–	10,462
Advance from a director	5,554	–
Payment of lease liabilities	(18)	–
Repayment to a former subsidiary	–	(4,869)
	5,536	5,593
Net increase (decrease) in cash and cash equivalents	4,976	(7,445)
Cash and cash equivalents at beginning of the period	2,509	11,798
Cash and cash equivalents at end of the period, represented by bank balances and cash	7,485	4,353

During the six months ended 30 September 2017, the Group offset its trade deposit with its balances due to former immediate holding company and former directors.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange goods.

Except described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in current period:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

The following new HKFRSs, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹

¹ Effective for accounting periods beginning on or after 1 January 2018

² Effective for accounting periods beginning on or after 1 January 2019

The adoption of HKFRS 9 (2014), HKFRS 15 and HK(IFRIC)-Int 22 would not have any significant impact on the financial performance and position of the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 will primarily affect the accounting for the Group's operating leases. Upon adoption of HKFRS 16 the majority of the Group's operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

3. SEGMENT INFORMATION

Management determines the operating segment based on the information reported to the Group's chief operating decision maker ("CODM"), being the executive directors of the Company. During the six months ended 30 September 2017 and 2016, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the garment sourcing. Accordingly, there is only one operating and reportable segment.

4. OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Net foreign exchange gain (loss)	2	(28)
Waive of directors' remuneration for		
– Current period	1,283	–
– Prior years	2,042	–
	3,327	(28)

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is made for both periods since there was no assessable profits for both periods.

There is no significant unprovided deferred taxation for the reporting periods or at the end of the reporting periods.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

6. PROFIT (LOSS) FOR THE PERIOD

	For the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Directors' remuneration	2,102	1,915
Other staff costs	1,485	1,767
Total staff costs	3,587	3,682
Cost of inventories sold	67,740	48,296
Depreciation of property, plant and equipment	15	–
Bank interest income (included in other income)	(28)	(114)

7. DISTRIBUTIONS

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

8. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share	3,098	(3,898)

	For the six months ended 30 September	
	2017	2016
Number of shares		
Number of ordinary shares for the purposes of basic earnings (loss) per share	519,777,000	519,777,000

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

8. EARNINGS (LOSS) PER SHARE (CONTINUED)

For the six months ended 30 September 2017 and 2016, the Company did not have any potential ordinary shares. Diluted earnings (loss) per share was the same as the basic earnings (loss) per share as there were no dilutive potential ordinary shares for the six months ended 30 September 2017 and 2016.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group had:

- (i) spent approximately HK\$1,368,000 (2016: Nil) on additions to property, plant and equipment; and
- (ii) not disposed any (2016: Nil) property, plant and equipment.

As at 30 September 2017, the Group had property, plant and equipment of approximately HK\$615,000 (at 31 March 2017: Nil) which was held under finance lease.

10. TRADE RECEIVABLES

The Group allows its trade customers a credit period of 30 to 150 days.

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

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
0 – 30 days	53,041	144
31 – 60 days	760	2,783
61 – 90 days	197	110
91 – 120 days	–	–
Over 120 days	–	–
	53,998	3,037

11. TRADE PAYABLES

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

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
0 – 60 days	46,145	120
61 – 90 days	187	621
Over 90 days	–	2,060
	46,332	2,801

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2016, 31 March 2017 and 30 September 2017	900,000,000	9,000
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 30 September 2017	519,777,000	5,198

13. RELATED PARTY DISCLOSURES

(I) Transactions

There were no significant related party transactions during the six months ended 30 September 2017 and 2016.

(II) Compensation of key management personnel

The remuneration of the directors and other members of key management during both periods was as follows:

	For the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Directors fees	2,096	1,915
Salaries and other benefits	–	–
Contribution to retirement benefits scheme	6	–
	2,102	1,915

Glossary

Abbreviation	Definition
2017 AGM	annual general meeting of the Company held on 29 September 2017
Audit Committee	audit committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
Board	the board of Directors
Bye-Law(s)	the bye-laws of the Company, as amended from time to time
Company	Highlight China IoT International Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries from time to time
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nomination Committee	nomination committee of the Company established by the Board on 19 March 2012 with written terms of reference, as amended from time to time
Remuneration Committee	remuneration committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time

Glossary (Continued)

Abbreviation	Definition
Offer	the unconditional mandatory cash offer made by Kingston Securities for and on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
Offeror	Rosy Lane International Limited (盛途國際有限公司), a company incorporated in the BVI with limited liability, being the purchaser of the Sale Shares under the Sale and Purchase Agreement and the Offeror for the Offer. The Offeror has been wholly, ultimately and beneficially owned by Mr. Zhi Hua (支華先生) since 7 July 2017
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK\$0.01 each in the share capital of the Company
Share Option Scheme	share option scheme conditionally adopted by the Company on 2 June 2010 which became effective upon the Shares were listed on the Stock Exchange on 5 October 2010
Shareholder(s)	holder(s) of the Share(s) in issue
Stock Exchange	The Stock Exchange of Hong Kong Limited
US\$	United States dollars, the lawful currency of the United States of America
%	per cent

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