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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)

INSIDE INFORMATION PINGYANG COOPERATION AGREEMENT

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE PINGYANG COOPERATION AGREEMENT

The Company is pleased to announce that on 22 May 2017, Hangzhou Haoyu (an indirect wholly-owned subsidiary of the Company) and Pingyang Wasu entered into the Pingyang Cooperation Agreement, pursuant to which the Parties have agreed to cooperate to develop and operate the Platform for the provision of comprehensive town management, market supervision, comprehensive law enforcement, public convenience and other services in Pingyang County.

The Platform

The Parties propose that the Platform shall provide, among others, the following services in Pingyang County:

1. comprehensive town management services for the purpose of achieving the functions including comprehensive management of public security, maintaining stability and safe construction;
2. market supervision services for the purpose of achieving the functions of administrative supervision and law enforcement applicable to enterprises and business entities in the market;
3. comprehensive law enforcement services for the purpose of achieving comprehensive administrative law enforcement and joint law enforcement and inspection to identify and deal with illegal administrative acts in accordance with laws; and
4. public convenience services for the purpose of providing various public services for grassroot level and public convenience services.

Scope of cooperation

Pursuant to the Pingyang Cooperation Agreement, the Parties propose that, among other things and subject to definitive agreement(s) being entered into between the Parties:

1. Hangzhou Haoyu shall be responsible for the development of the software for the Platform and shall establish a wholly-owned subsidiary in the place of registration of Pingyang Wasu for the operation and maintenance of the Platform; and
2. Pingyang Wasu shall be responsible for the construction of the hardware and network infrastructure for the Platform, the promotion and marketing of the Platform and obtaining government's procurement of the services of the Platform.

The cooperation between the Parties pursuant to the Pingyang Cooperation Agreement in respect of the Platform shall be exclusive.

Service fees

The Parties further propose that, subject to definitive agreement(s) being entered into between the Parties:

1. Hangzhou Haoyu shall receive a service fee for the provision of technical operation maintenance, network platform operation, technical guidance and trainings for staff in respect of the Platform, or for the provision of technical services in relation to the application of relevant research and development achievements; and
2. Pingyang Wasu shall receive a service fee for the provision of promotion and marketing services in respect of the Platform.

Definitive Agreement

The Pingyang Cooperation Agreement is a framework agreement for the strategic cooperation of the Parties. The specific details of the cooperation shall be subject to definitive agreement(s) being entered into between the Parties.

REASONS FOR AND BENEFITS OF THE ENTRY OF THE PINGYANG COOPERATION AGREEMENT

The Group is principally engaged in garment sourcing business. The Group has been looking for new business opportunities to develop a sustainable corporate strategy to broaden the Group's income stream, which may include rebalancing the resources of the Group with an aim to enhancing financial performance of the Group and achieving better return for the Shareholders.

The terms of the Pingyang Cooperation Agreement were agreed after arm's length negotiations between the Parties. The Board considers that the transactions contemplated under the Pingyang Cooperation Agreement, together with the cooperation agreement entered into between Hangzhou Haoyu and the Shangrao branch of Jiangxi Province Broadcasting and Television Network Communication Co. Ltd.* (江西省廣播電視網絡傳輸有限公司), which was disclosed in the announcement of the Company dated 18 May 2017, present an ideal opportunity for the Group to expand its principal business activities to include the operation and provision of information technology related services in the PRC.

Accordingly, the Board is of the view that the terms of the Pingyang Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable, and the cooperation is in the interests of the Company and the Shareholders.

GENERAL

Hangzhou Haoyu is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in relevant software and hardware development and design of smart city and smart community; advanced technology of operation and design of structure construction plan of relevant internet information platforms for smart city and smart community.

Pingyang Wasu is established under the laws of the PRC with limited liability. It is principally engaged in, among other things, construction, maintenance and management for wired broadcast and television networks.

The transactions contemplated under the Pingyang Cooperation Agreement are subject to definitive agreement(s) being entered into and may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Board”	the board of Directors
“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 (stock code: 1682)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Haoyu”	Hangzhou Haoyu Yunshi Network and Technology Co. Ltd.* (杭州浩毓雲勢網絡科技有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	collectively, Hangzhou Haoyu and Pingyang Wasu

“Pingyang Cooperation Agreement”	The cooperation agreement entered into between the Parties on 22 May 2017 in relation to the cooperation of the Parties to develop and operate the Platform
“Pingyang Wasu”	Pingyang Wasu Broadcasting and Television Network Co., Ltd.* (平陽華數廣電網絡有限公司), a company established under the laws of the PRC with limited liability
“Platform”	the platform to be developed by the Parties pursuant to the Pingyang Cooperation Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shareholder(s)”	the holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

On behalf of the Board
Highlight China IoT International Limited
Gao Zhiyin
Chairman

Hong Kong, 22 May 2017

As at the date of this announcement, the Board comprises Mr. Gao Zhiyin, Mr. Gao Zhiping and Mr. Shi Jiguo as executive directors; Mr. Lau Chi Kit, Mr. Ma Ming and Mr. Li Hui as independent non-executive directors; and Mr. Shum Ngok Wa as non -executive director.

* *For identification purposes only*