ibotech 艾伯科技

IBO Technology Company Limited
艾伯科技股份有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 2708

2018
ANNUAL REPORT
年報

CORPORATE PHILOSOPHY
公司理念

By upholding the corporate tenet of

Intelligent Security & Integrative Focus

the Company provides its customer base with intelligent, reliable and innovative products alongside premier and precise technical services. With the Pearl River delta region at our core, we extend our business network across the country. We continue to explore infinity, advance forward, and strive for innovation. In the future, by persisting in our brand and philosophy that "your city is more secure with IBO", the Company is committed to introducing to our new and existing customers a growing number of innovative technologies and premier products and services.

公司秉承

智能安全 專注一體化

的企業宗旨,為廣大客戶提供智能、可靠、創新的產品及優質嚴謹的技術服務。公司業務以珠三角為核心,覆蓋至全國各地。開拓進取，銳意創新。未來，公司將繼續秉持“艾伯，讓城市更安全”的品牌理念，竭誠為新老客戶提供源源不斷的創新技術及優質的產品與服務。.

CONTENTS

Corporate Information	02
Chairman's Statement	04
Financial Highlights	06
Management Discussion and Analysis	07
Environmental, Social and Governance Report	15
Directors and Senior Management	23
Report of Directors	28
Corporate Governance Report	42
Independent Auditor's Report	53
Consolidated Statement of Profit or Loss and Other Comprehensive Income	58
Consolidated Statement of Financial Position	59
Consolidated Statement of Changes in Equity	60
Consolidated Statement of Cash Flows	61
Notes to the Consolidated Financial Statements	62
Four Years Financial Summary	104

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Tse Ming *(Chairman)*
Mr. Gao Weilong *(Chief Executive Officer)*
Mr. Teng Feng
Mr. Yu Kin Keung
Mr. Lyu Huiheng

Independent Non-executive Directors

Dr. He Tianxiang
Dr. Wong Kwok Yan
Mr. Hung Muk Ming

BOARD OF COMMITTEES

Audit Committee

Mr. Hung Muk Ming *(Chairman)*
Dr. He Tianxiang
Dr. Wong Kwok Yan

Remuneration Committee

Dr. Wong Kwok Yan *(Chairman)*
Mr. Gao Weilong
Dr. He Tianxiang

Nomination Committee

Mr. Lai Tse Ming *(Chairman)*
Dr. Wong Kwok Yan
Mr. Hung Muk Ming

COMPANY SECRETARY

Mr. Pang Chun Yip *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Lai Tse Ming
Mr. Yu Kin Keung

PRINCIPAL BANKS

China Guangfa Bank
Baosheng County Bank

COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, 20/F
Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4/F, Block C, Unis Inforport
Langshan Rd 13
Hi-Tech Industrial Park (North) Nanshan
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23/F, Sunshine Plaza
353 Lockhart Road
Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY WEBSITE

www.ibotech.hk

STOCK CODE

2708

CONTACT INFORMATION

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Tel	(852) 2308 1266
Fax	(852) 2789 4532

CHAIRMAN'S STATEMENT

Mr. Lai Tse Ming
Chairman of the Board

On behalf of the board (the "**Board**") of directors (the "**Directors**") of IBO Technology Company Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018 (the "**Reporting Period**"). The Listing is an important milestone for the development of the Group. With the accelerated economic transformation and social development, China's demand for Internet of Things ("**IoT**"), especially RFID technology, has maintained growth, enabling us to deliver a satisfactory performance and further consolidate its leading position in the industry.

The Group's revenue for the year increased by 104.7% from approximately RMB103.89 million of the corresponding period of last year to approximately RMB212.70 million. The substantial increase in revenue was mainly attributed by the significant growth in revenue of system integration segment and intelligent terminal products sales operations. The Group's gross profit for the year increased by 60.9% from approximately RMB53.58 million of the corresponding period of last year to approximately RMB86.22 million. The significant increase in gross profit was mainly attributable to the increase in revenue contributed by the intelligent traffic control project (the "**Intelligent Traffic Control Project**") and the system integration project regarding the construction and installation of fiber optical networks in Beijing. The profits attributable to the owners of Group for the year increased by 20.5% from approximately RMB29.45 million of the corresponding period of last year to approximately RMB35.48 million.

CHAIRMAN'S STATEMENT

The Company was listed on the Main Board of the Stock Exchange on 28 December 2017.

During the year, the system integration business of the Group maintained growth, and achieved comprehensive information-based management, statistics analysis and enhanced emergency management capacities through cooperating with a Beijing-based company that is primarily engaged in research and development of storage technology. The Group also successfully developed, produced and sold customisable IoT intelligent terminal products to its customers, which accounted for 45.9% of the Group's total revenue, becoming the new growth engine of the Group. In order to satisfy our customers' business and management needs, the Group provides customised software application development services to its customers, and has begun to provide technology services and maintenance to a state-owned technology company with its convenient and quality system maintenance services.

Benefited from the support of the "Thirteenth Five-Year" development plan for the IoT in China, China's RFID device market is expected to maintain rapid growth from 2016 to 2021. With policies such as the initiatives on "Made in China 2025", "Internet+" and "Innovation and Entrepreneurship", the IoT market is expected to usher in unprecedented development. The Group will continue to make more investment in technology research and development to provide customers with a wide range of comprehensive and customisable IoT products and services. More marketing efforts will be devoted by the Group in the future to introduce diversified products and services to existing customers and potential customers so as to increase the Group's sources of revenue through expanding the customer base. The Group plans to extend the IoT technology application to other sectors in the "Smart City" market, and further improves its operational efficiency through strategic acquisitions or investments in the upstream and downstream fields.

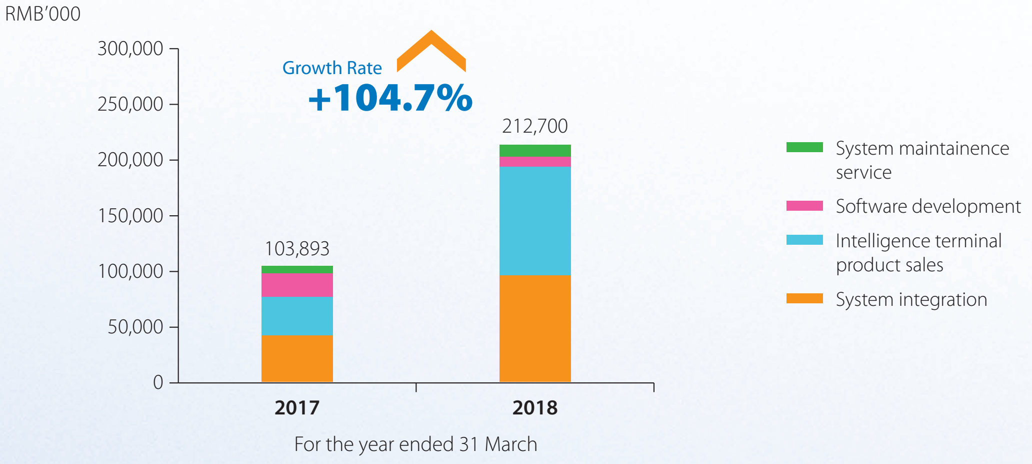
Lastly, I would like to express my sincere gratitude to the wise leadership of the Board of Directors, the solid support of the shareholders and the dedication of all our staff. Looking forward to the future, we will strive to provide customers with better quality products and services and expect to bring the Group a brighter future through working together.

Mr. Lai Tse Ming
Chairman & Executive Director

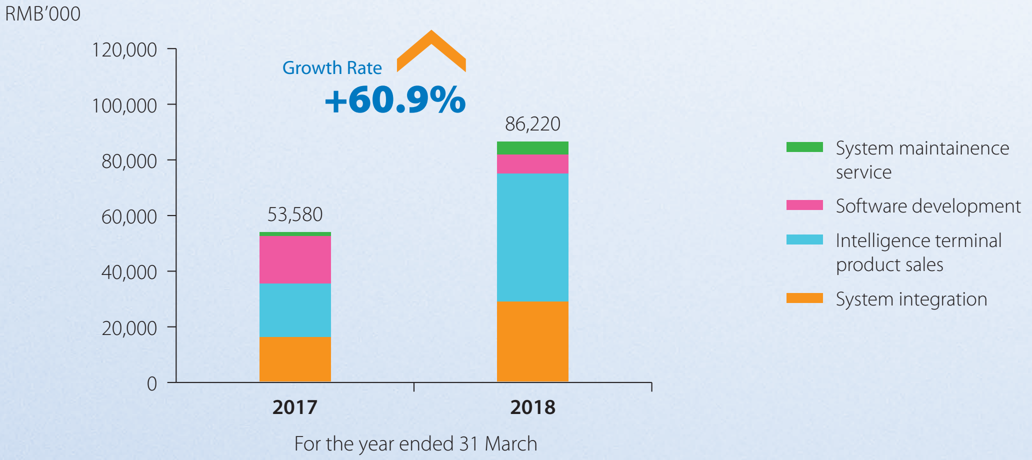
Hong Kong, 20 June 2018

FINANCIAL HIGHLIGHTS

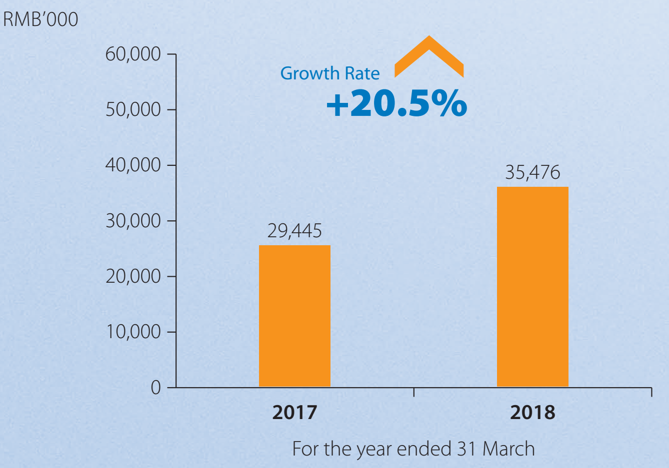
Revenue by Business Segment



Gross Profit by Business Segment



Profit and Total Comprehensive Income for the Year



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a National High and New Technology Enterprise (國家高新技術企業) that focuses on providing comprehensive IoT intelligent terminal product applications and solutions services in the PRC. The Group's businesses can be categorised into four segments, namely (i) system integration; (ii) intelligent terminal products sales; (iii) software development; and (iv) system maintenance services. The customers of the Group are primarily based in the PRC, coming from both the public and private sectors in the PRC, such as governmental authorities, large-scale state-owned enterprises and private enterprises.

Revenue breakdown by business segment:

	For the year ended 31 March			
	2018		2017	
	RMB'000	**%**	RMB'000	%
System integration	**95,242**	**44.8**	41,538	40.0
Intelligent terminal products sales	**97,736**	**45.9**	34,301	33.0
Software development	**8,723**	**4.1**	21,511	20.7
System maintenance services	**10,999**	**5.2**	6,543	6.3
Total	**212,700**	**100.0**	103,893	100.0

System Integration

System integration business of the Group maintained growth and recorded a revenue of approximately RMB95.24 million during this year, representing an increase of 129.3% as compared with the corresponding period of last year, accounting for 44.8% of the Group's total revenue. Based on analysis of customers' needs and requirements, the Group provides comprehensive and tailor-made system solutions applying IoT technologies to its customers, including overall system planning, development and design, procurement of system equipment, integration of software and hardware devices of the system, system implementation, trial operation and system management and maintenance, etc.

The Group's representative projects include (i) an Intelligent Traffic Control Project — to construct an intelligent traffic control system project in Ürümqi, Xinjiang, the PRC , which is mainly designed to help improve the efficiency, control and safety of road traffic systems of the region, and to construct and maintain an integrated traffic surveillance system so as to promote high efficient traffic management and instructions; (ii) a project of fiber optic networks— to cooperate with a technology company mainly engaged in providing "Smart City" solutions in Beijing, and provide property coordination, surveying and design services and a new system integration project service regarding the construction and installation of fiber optical networks to it , with a view to expedite the development process of smart city; and (iii) a project of IoT-driven big data platforms — to cooperate with a Beijing-based company that is primarily engaged in research and development of storage technology on sales of hardware products and equipment for projects to such company, such as RFID scanning devices and active electronic tags, software development for IoT-driven big data platforms as recognised by such company and implementation of technical plans. We are responsible for device installation and testing as well as provision of training and warranty services, so as to achieve comprehensive information-based management, statistics analysis and enhanced emergency management capacities.

Intelligent Terminal Products Sales

The Group develops, produces and sells customisable IoT intelligent terminal products to its customers. During this year, revenue of this segment significantly increased by 185.0% year-on-year to approximately RMB97.74 million, accounting for 45.9% of the Group's total revenue, which became the new growth engine of the Group. Our intelligent terminal products deploy a wide range of technologies, including RFID technology, sensory technology, embedded technology and wireless communication technology. The Group provides different level tailor-made services according to different customer requirements, including ultraenergy saving, ultra-long and anti-interference transportation distance, customised embedded software, anti-explosion and ultra-protection design (such as anti-corrosion and anti-static) against bad environment conditions. During the year, the Group cooperated with an IoT technology company and a computer software development company (both based in Beijing) to sale electronic products.

Software Development

In line with the customer's business and management requirements, the Group plans and designs the software system framework and functions list for its customers, and provides customised software application development services. During this year, revenue of this segment was approximately RMB8.72 million, representing a year-on-year decrease of 59.5% and accounting for 4.1% of the Group's total revenue. The Group's representative projects include (i) the implementation management system developed for manufacturing enterprises; and (ii) the data security management system developed for IT companies.

System Maintenance Services

The Group provides system maintenance services for both the software and hardware of information systems encompassing maintenance and management for system devices, database maintenance, daily monitoring on the systems and system upgrades. During this year, revenue of this segment increased by 68.2% year-on-year to approximately RMB11.00 million, accounting for 5.2% of the Group's total revenue. The Group's representative system maintenance services include (i) the provision of information systems maintenance services for a PRC state-owned petroleum company, involving petrol filling IC card system and convenience store management system of more than 2,000 gas stations, such as the maintenance of point of sale (POS) terminals, consumption POS machines, operating systems, database systems and related software, data maintenance and technical training; and (ii) the provision of technology service and maintenance to a state-owned technology company, including technology service and maintenance for public transportation and follow-up support projects, and provision of consultation and maintenance services in respect of disaster prevention system for such enterprise.

FINANCIAL REVIEW

Revenue

The Group's revenue increased significantly by 104.7% to approximately RMB212.70 million during this year (2017: approximately RMB103.89 million), mainly attributed by the significant growth in revenue of system integration segment and intelligent terminal products sales operations. As for system integration, revenue during this year was derived from an Intelligent Traffic Control Project regarding the construction of an intelligent traffic control system in Ürümqi, Xinjiang, the PRC and a new system integration project regarding the construction and installation of fiber optical networks in Beijing, the PRC. As for intelligent terminal products sales, increase in revenue was mainly attributable to the significant growth of sales to an IoT technology company and a computer software development company (both based in Beijing).

Gross profit

The Group's gross profit increased significantly by 60.9% to approximately RMB86.22 million during this year (2017: approximately RMB53.58 million). The increase in gross profit was mainly attributable to the increase in revenue contributed by the Intelligent Traffic Control Project and the system integration project regarding the construction and installation of fiber optical networks in Beijing. In addition, the gross profit of intelligent terminal products increased significantly. The gross profit margin decreased by 11.1 percentage points to 40.5% as compared with corresponding period of last year, mainly due to the decrease in gross profit margin of the Intelligent Traffic Control Project. The Intelligent Traffic Control Project was classified into different subprojects according to the general plan and arrangement of our customer, among which, Installation subprojects carried out for the year ended 31 March 2017 had a relatively higher gross profit margin as compared with those carried out for the year ended 31 March 2018. In addition, significant decrease in sales of software development projects with higher gross profit margin also resulted in the decrease of overall gross profit margin.

Other income

During this year, the Group's other income mainly included (i) interest income from bank deposits; (ii) rental income; and (iii) government grants. Other income increased by 48.4% to approximately RMB5.52 million during this year (2017: approximately RMB3.72 million), mainly due to the significant increase in government grants.

Other expenses

During this year, the Group's other expenses increased by 30.9 times to approximately RMB2.55 million (2017: approximately RMB0.08 million), which mainly included (i) charity donation and (ii) late payment penalty.

Other gains and losses

The Group's other gains and losses of net loss of approximately RMB4.03 million during this year (2017: net gain of approximately RMB0.24 million) are mainly comprised of net exchange differences with other losses, due to the movement of exchange rate of RMB and change in fair value of investment properties during this year.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 60.4% to approximately RMB1.70 million during this year (2017: approximately RMB1.06 million), mainly due to the increase of staff salaries and welfare benefits.

Administrative expenses

The Group's administrative expenses increased by 100.8% to approximately RMB15.72 million during this year (2017: approximately RMB7.83 million), mainly due to the increase of staff salaries and welfare benefits, consulting service fee and rental expense.

Finance costs

The Group's finance costs decreased by 32.5% to approximately RMB1.87 million during this year (2017: approximately RMB2.77 million), mainly due to the decrease in bank borrowings during this year.

Research and development expenses

The Group's research and development expenses increased by 272.2% to approximately RMB2.01 million during this year (2017: approximately RMB0.54 million), which was mainly due to the fact that more focus was placed on the research and development to further broaden the Group's collective expertise and resources in order to meet the conditions of High and New Technology Enterprise.

Listing expenses

The Group had recognised approximately RMB15.43 million of listing expenses in profit or loss during this year (2017: RMB6.98 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The Group's income tax expense increased by 46.6% to approximately RMB12.96 million during this year, mainly as a result of the Group's increased profit before taxation. The Group's effective tax rate increased by 3.7 percentage points to approximately 26.8% which was mainly due to the increase in tax effect of expenses not deductible for tax purposes (mainly including late payment penalty).

Profit and total comprehensive income and net profit margin for the year

As a result of the foregoing, the Group's profit and total comprehensive income increased by 20.5% to approximately RMB35.48 million during this year (2017: approximately RMB29.45 million). The Group's core net profit (net of listing expenses) increased by 39.7% to approximately RMB50.91 million (2017: approximately RMB36.43 million). The Group's net profit margin decreased by 11.6 percentage points to approximately 16.7% (2017: 28.3%), which was mainly due to the decrease in gross profit margin and the increase in listing expenses incurred of approximately RMB8.45 million for the year ended 31 March 2018.

Liquidity and Financial Resources

The Group adopted strict financial management policy, and its financial position remained sound. As at 31 March 2018, the Group's net current assets were approximately RMB196.08 million (2017: approximately RMB47.02 million).

As at 31 March 2018, the Group's bank balance and cash was approximately RMB82.72 million (2017: approximately RMB31.57 million). The current ratio (current assets to current liabilities) was approximately 3.7 times (2017: approximately 1.6 times).

Capital structure

As at 31 March 2018, the Group's total bank borrowings was approximately RMB6.5 million (2017: approximately RMB35.6 million).

Gearing ratio

As at 31 March 2018, the Group's gearing ratio (total borrowings to total equity) was 3.0% (2017: 54.4%).

Capital Expenditure

During this year, the Group's capital expenditure increased by 2.3 times to approximately RMB0.97 million (2017: approximately RMB0.29 million), which mainly represented purchase of motor vehicles and office equipment.

Capital Commitment

As at 31 March 2018, the Group did not have any significant capital commitment.

Currency Risk

The Group had exposure to fluctuations in exchange rates because some monetary assets and monetary liabilities are denominated in currencies other than functional currency. The Group currently does not have a foreign currency hedging policy. However, the Directors will monitor foreign exchange exposure closely and consider to use hedging instruments when the need arises.

Contingent Liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities.

Pledge of Group's Assets

As at 31 March 2018, all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investment

The Group did not hold any significant investment during the year.

Future Plans for Significant Investments and Capital Assets

The Group is currently exploring and identifying investment and acquisition opportunities in the the IoT market. The Group intends to use the Group's internal resources and the net proceeds from the global offering of new shares to fund for the Group's business expansion.

BUSINESS OUTLOOK AND STRATEGIES

Looking forward, China shows huge potential in the IoT market. In particular, RFID technology is one of the most important identification technologies for the IoT. Benefited from the support of the "Thirteenth Five-Year" development plan for the IoT, China's RFID device market is expected to maintain rapid growth from 2016 to 2021. With increasing demand for city public safety management in China, as well as various favorable policies promulgated by the PRC government to support the development of Smart City, including the initiatives on "Made in China 2025", "Internet+" and "Innovation and Entrepreneurship", the IoT market is expected to usher in unprecedented development.

To strengthen the research and development of core technologies to upgrade our products and services

The Group is in the progress of researching a fire safety supervision system which is able to monitor the fire safety hazards of buildings all the time and obtain fire safety data such as electric leakage, gas leakage, short circuit and fire in real time, thus allowing the fire and security personnel to respond in a timely manner and reducing the loss of personnel and property. The system is planned to launch first in Guangdong Province and then the whole country. In addition, the Group has successfully developed a system for identifying driver identity to ensure that only qualified persons can drive and reduce the potential safety risks in the city. It is planned to launch to market.

In the future, the Group will continue to make more investment in technology research and development to provide customers with a wide range of comprehensive and customizable IoT products and services, such as the monitoring of hazardous goods, digital vehicles, food safety traceability and intelligent parking through adopting the development approach of scientific technology and promoting products and services upgrade; developing new core technology for enhancing the system maintenance capabilities of the Group; and applying R&D achievements in cloud computing, IoT and big data to extend to wider areas of public safety management industry so as to cater for the needs of customers in different industries.

To increase marketing efforts to promote different products and services to existing customers

In the city public safety management sector, our Group mainly engages in the areas of hazards supervision and safety production supervision. In May 2017, our Group had successfully won the tender as the exclusive provider of the digital gas cylinder monitoring system for civilian and industrial use in Karamay, Xinjiang. Related products have been launched in the market during the year and marketing efforts will be increased in the future. With regard to the fire safety supervision system which is under development and the successfully developed driver identification system, more marketing efforts will be devoted in the future due to the wide application of the products developed by the Group. By introducing related products to existing customers and potential customers, it is expected to increase the Group's sources of revenue through deepening existing relationships with customers and expanding the customer base.

To actively expand to various sectors of the "Smart City" market

In view of the rapid development and great potential of the "Smart City" market, the Group strives to become the leading integrated IoT intelligence terminal product application and solution services provider in the "Smart City" market. Capitalising on the experience in IoT application, system integration and system maintenance, the Group plans to extend to other sectors in the "Smart City" market, including the smart transport, smart education and smart healthcare segments. In the smart transport sector, the Group will actively promote the driver identification system in response to the state counter-terrorism and stabilization policy. In the future, The Group will commence strategic cooperation with large-scale IT companies in development and construction of "Smart City" projects.

To explore beneficial strategic investment opportunities

The Group plans to vertically extend the IoT intelligent terminal product application and solutions value chain to the upstream and downstream fields along the IoT industry through organic growth, strategic acquisitions and partnerships, thus improving its operational efficiency and leading position in the industry. Meanwhile, the Group will also establish the strategic partnership with horizontally related powerful enterprises (such as Internet companies) to complement each other, enhance the integration of various resources, such as big data cloud platform and artificial intelligence system, promote product and service innovation and strengthen business network to create a win-win situation.

The Group is exploring opportunities for acquisitions to expand its existing businesses and promote diversified development to improve shareholders' returns.

The global IoT market presents a rapid development momentum, ushering in its golden age. The Group will continue to strengthen technological innovation, expand market share and seize favorable market opportunities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2018, the Group employed a total of 143 employees (2017: 141 employees). During this year, staff costs (including Directors' emolument) was approximately RMB15.26 million (corresponding period of 2017: approximately RMB13.40 million). By strictly following the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law (《勞動合同法》) and Labour Dispute Mediation and Arbitration Law (《勞動爭議調解仲裁法》), the Group recruits and promotes its employees based on individual development potential, talent and ability without discriminating against age, gender, race, nationality, religious and disability. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The Group regularly reviews remuneration policies and welfares of its employees.

MAJOR AWARDS AND CERTIFICATES

Accreditation & Certificates	Details	Time of awarding/Valid duration for awarding	Accredited/Certified by
ISO14001: 2015 Environmental Management System Certificate (環境管理體系認證證書)	Environmental management activities in the occasions of departments, offices, working places related to development of computer software, communications equipment and monitoring software; computer information systems integration and services, network and computer system operation and maintenance services	6 June 2017 to 5 June 2020	Guangdong Quality Testing CTC Certification Co., Ltd.

Accreditation & Certificates	Details	Time of awarding/Valid duration for awarding	Accredited/Certified by
GB/T 28001–2011 Occupational Health and Safety Management System Certificate (職業健康安全管理體系認證證書)	Occupational health and safety management activities in the occasions of departments, offices, working places related to development of computer software, communications equipment and monitoring software; computer information systems integration and services, network and computer system operation and maintenance services	6 June 2017 to 5 June 2020	Guangdong Quality Testing CTC Certification Co., Ltd.
Standard Conformance Certificate for Service Operation and Maintenance of Information Technology Services (Grade III) (資訊技術服務運行維護標準符合性證書三級)	Evaluation of the maturity of an enterprise in its information technology services	20 September 2017 to 19 September 2020	China Electronics Standardisation Technology Association Information Technology Service Standards Sub-Association
Guangdong Province Certificate of Design, Construction and Maintenance of Safety Technology Prevention System (Level 4) (廣東省安全技術防範系統設計、施工、維修資格四級證書)	The design of security system of the public security organs in Guangdong Province, the implementation of qualification management of construction and maintenance. A unit that has not obtained the relevant qualification certificate shall not engage in electronic system design, construction and maintenance operations	18 September 2017 to 18 September 2019	Security Technology Prevention and Management Office of Guangdong Public Security Department
Certificate of Vice-Chairman Member (副會長單位證書)	Approved IBO Information (Shenzhen) Limited (艾伯資訊(深圳)有限公司) as a vice-chairman member of Shenzhen Security & Protection Industry Association	8 December 2017 to 7 December 2018	Shenzhen Security & Protection Industry Association
Membership Certificate (會員證書)	Approved IBO Information (Shenzhen) Limited (艾伯資訊(深圳)有限公司) as a member of China Security & Protection Industry Association	31 March 2018 to 31 March 2020	China Security & Protection Industry Association

MAJOR COOPERATION AGREEMENTS ENTERED INTO DURING THE YEAR

1. **Cooperative partner:** A technology company based in the PRC

   Subject: The project of a sub-part of a project commissioned by a telecommunications company based in the PRC to construct a regional high-speed customer premises network (CPN) in Beijing. Our Group shall be responsible for property coordination, surveying and design, procurement of raw materials and construction and installation of the fiber optic networks.

2. **Cooperative partner:** An electrical engineering company based in the PRC

   Subject: Our Group shall be responsible for the development and construction of network and audio systems for a government building in Inner Mongolia.

3. **Cooperative partner:** A construction company based in the PRC

   Subject: Our Group shall be responsible for the development and construction of an industrial television monitoring system for an energy company based in the PRC.

4. **Cooperative partner:** A technology company based in Beijing

   Subject: The Group shall sell hardware products and equipment for projects to the cooperative partner, such as RFID scanning devices and active electronic tags, software development for IoT-driven big data platforms as recognized by our partners and shall be responsible for device installation and testing as well as the provision of training and warranty services.

5. **Cooperative partner:** A petroleum company based in the PRC

   Subject: The Group shall maintain the station-level information systems, such as fuel card system, convenience store system, central control system and general ticket system, as well as the equipment of the cooperative partner, and shall be responsible for the provision of upgrade support, training and technical consultation services.

6. **Cooperative partner:** A IoT technology company based in Beijing

   Subject: The Group shall sell electronic products to the cooperative partner, such as active electronic tags, and provide maintenance services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IBO Technology Company Limited ("**IBO**", the "**Group**" or "**We**") is a national high-tech enterprise focusing on the provision of integrated IoT intelligent terminal product applications and solutions in the China region, to meet the increasing demands of customers for safe production supervision, hazard monitoring and other specific projects. The Group deeply understands that a good environmental, social and governance environment is of crucial importance for the main stakeholders to achieve the best return. Therefore, the Group hereby compiles its first Environmental, Social and Governance ("**ESG**") Report (this "**Report**") in accordance with Appendix 27 of HKEX Main Board Listing Rule — Environmental, Social and Governance Reporting Guide.

The purpose of this Report is to disclose the Group's ESG performances to investors and other stakeholders. The Group determines its major ESG matters based on opinions and feedback of main stakeholders, which are set out in detail in the table below. This Report covers the major ESG matters relating to the Group's businesses in its Hong Kong office and Mainland China from 1 April 2017 to 31 March 2018 ("**2017/18 fiscal year**" or the "**reporting period**").

Subject Area		Major ESG Matter
A.	**Environmental**	
A1.	Emissions	• Greenhouse Gas Management • Non-hazardous Waste Management
A2.	Use of Resources	• Electricity Efficiency • Water Use Efficiency
A3.	The Environment and Natural Resources	• Environmental Management System
B.	**Social**	
B1.	Employment	• Equal Opportunities • Recruitment and Dismissal • Compensation, Benefits and Promotion
B2.	Health and Safety	• Safety Risk Management and Training
B3.	Development and Training	• Employee Training Management
B4.	Labour Standards	• Anti-child Labour and Forced Labour
B5.	Supply Chain Management	• Supplier Evaluation Mechanism
B6.	Product Responsibility	• Quality Control • Customer Service • Customer Information and Privacy
B7.	Anti-corruption	• Prevention of Bribery, Extortion, Fraud and Money Laundering
B8.	Community Investment	• Funding Students and Alleviating Poverty

A. ENVIRONMENTAL

A1 Emissions

The Group mainly engages in system integration, design and sales of intelligent terminal products as well as software development and system maintenance services, which do not involve highly pollutant production and operation procedures. With regard to the production of intelligent terminal products, since the Group has no large-scale production facilities, we employ third-party manufacturers to process and assemble hardware based on our designs and prototypes. Considering the scope and nature of our main business, no major or direct emissions of exhaust gas, sewage and hazardous waste are involved in the Group's operations, except for non-hazardous wastes and indirectly emitted greenhouse gases.

The Group's environmental management policy focuses on prevention. We have formulated the Procedures for Environmental Factor Identification and Evaluation to identify important environmental factors in the Group's business activities, products or services. Specifically, We carry out quantified evaluation based on the frequency of occurrence, scope, extent and duration of the impact, public concern and other criteria of the exhaust gas, sewage, soil pollution, waste and other factors, and then formulate management approaches to prevent and control potential pollution. Therefore, whenever there are changes in environmental factors due to changes in business activities, products, services or external environment, we will re-evaluate and identify the environmental factors and update corresponding management approaches.

Greenhouse Gas Management

The use of electricity in offices is the main contributor to the Group's indirect emissions of greenhouse gases. The Group generated totally 48.03 tons of carbon dioxide equivalents[1] during the 2017/18 fiscal year. For detailed measures on energy conservation and emission reduction, please refer to section A2 Use of Resources.

Non-hazardous Waste Management

The primary non-hazardous waste produced by the Group is waste paper used by offices, which was 610 kilograms during the reporting period. We are committed to reducing the use of paper in offices and most of our business processes are carried out in electronic systems which both improve administrative efficiency and reduce paper consumption. In addition, electronic communications such as instant messenger software and email are our main means of communication. We also encourage printing on both sides of the paper to further reduce the amount of paper used.

During the 2017/18 fiscal year, there were no major violations of environmental laws and regulations which have come to the attention of the Group.

1 The above greenhouse gas emissions are calculated based on the GHG Protocol jointly published by the World Business Council for Sustainable Development (WBSCD) and the World Resource Institute (WRI), the Guidelines Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong published by the Environmental Protection Department (EPD), the 2017 Sustainability Report of CLP Holdings Limited, the 2016 Baseline Emission Factors for Regional Power Grids in China (Consultation Draft) published by the National Development and Reform Commission of China, and the Greenhouse gas reporting — Conversion factors 2017 published by Department for Business, Energy & Industrial Strategy of the United Kingdom Government.

A2 Use of Resources

The Group's indirect emissions of greenhouse gases mainly stem from the use of resources in offices. Therefore, we closely monitor the use of resources. Each department is asked to conduct daily inspections, keep the inspection records, report any abnormalities to relevant departments and formulate corrective measures at the same time. In addition, the use of resources by business activities and processes is rated according to the Procedures for Environmental Factor Identification and Evaluation, to identify any business activities and processes that waste resources; afterwards, responsible departments are asked to develop control policies and report the results to the management for review. Meanwhile, we understand the importance of employees' environmental protection awareness and their cooperation with the Group's environmental policies, so we attach great importance to employee communication and education and incorporate elements of resource conservation in workplaces and daily operational processes, to enhance the environmental protection awareness of employees.

Electricity Efficiency

The most primary resource used by the Group is electricity. The Group purchased and consumed 77,597.66 kWh (the intensity of use of electricity was 23.09 kWh/per office square meter) in 2017/18. The Group has been actively promoting a variety of energy conservation measures, including:

- Install high performance lights and appliances;
- Make sure that all non-essential power sources are turned off after work;
- Air-conditioning in the office is maintained at 24-26 degrees;
- Regularly maintain and inspect daily electrical facilities to ensure there are no abnormalities in their power consumptions;
- Advocate electricity conservation awareness in the office, and educate employees to reduce wastage in small details of daily lives by means of sending emails to groups and posting environmental protection slogans;
- Security personnel are asked to turn off the air-conditioning switch of the company after work each day to avoid the wastage of electricity.

Water Use Efficiency

The Group's business activities do not involve heavy use of water, and water consumption mainly comes from the toilets and pantry in the office. Water of the Group is supplied by the government's water supply system and managed by the property management company of the office. The Group purchased and consumed 2,061.84 cubic meters of water (the intensity of use of water was 0.613 m^3 per office square meter) in the 2017/18 fiscal year, and no problem was found in obtaining applicable water sources. The Group values the efficient use of water and attaches great importance to water conservation programs in the office, such as adopting inductive taps, posting water conservation slogans, adjusting water valves to the position with minimum water consumption, regularly checking water equipment to avoid leakages, etc. All of these measures are intended to reduce unnecessary wastes.

With regard to the use of packaging materials, given that the Group's businesses and processes do not involve the significant use of packaging materials, relevant disclosure is not applicable to the Group.

A3 Environment and Natural Resources

Environmental Management System

The Group has no highly pollutant production and operation procedures, so no business activities of the Group would have a significant impact on the environment and natural resources. However, we are dedicated to establishing and improving the environmental management system and have passed the ISO14001:2015 environmental management system certification. We will continuously monitor and manage the potential impact of our business on the environment, and will take environmental factors such as noise, material radioactivity, soil pollution, greenhouse effect, etc. into consideration when conducting business activities. Moreover, daily monitoring and assessment are carried out, abnormalities are timely reported, and response plans are developed. We have also clearly defined the responsibilities of each post and provide training on professional skills and environmental control procedures for posts relating to important environmental factors. In addition, a comprehensive mechanism has been established to timely and properly respond to environmental accidents or incidents or events that would exert significant impact on natural resources, while the investigation mechanism is also in place for post evaluation.

B. SOCIAL

B1 Employment

Equal Opportunities

The basis of the Group's human resources management is justice and fairness. All candidates and employees are treated equally in terms of recruitment, promotion, compensation and benefits, training and development. No one is discriminated against because of age, race, gender, marital status, pregnancy, religion, etc.

Recruitment and Dismissal

Our recruitment adopts an objective assessment model. The job requirements are expressly listed before recruitment, and candidates need to go through the written test and interviews to evaluate their abilities, experience, work attitude and other qualities. In addition, we have enacted the Policy on Employee Resignation Management to ensure resignation is handled in an orderly manner. On the premise of protecting the interests of both the employee and the Group, we have clarified the specific conditions of labor contract termination, and will not unreasonably dismiss employees.

Compensation, Benefits and Promotion

Our compensation and benefits are determined based on requirements of local laws and regulations, market salary levels, business performance and the employee's performance appraisal results. We offer attractive salaries to attract and retain talent and ensure reasonable working hours, adequate rest time and holidays (including paid annual leave, marriage leave, maternity leave, bereavement leave, statutory holidays, etc.). Adhering to the principles of objectiveness and fairness, employee performance is appraised based on their actual work and measured with quantified criteria. Same appraisal criteria are applied to employees in the same position, while the appraisal results serve as the basis of the employee promotion mechanism.

During the 2017/18 fiscal year, there were no major violations of employment laws and regulations which have come to the attention of the Group.

B2 Health and Safety

Safety Risk Management and Training

We attach great importance to occupational health and work safety when providing services and have adopted preventive measures with a focus on hazard management and risk assessment. For the purpose of this goal, we have established a complete occupational health and safety management system and have passed GB/T 28001-2011 certification. Through diversified safety measures, the Group aims to provide employees with a safe and healthy working environment.

With regard to safety risks at workplace, the Group identifies and evaluates sources of occupational health and safety hazards within its operation, rates their risk levels based on the risk's scope, nature and timing, and determines major hazards thereupon, so as to effectively control workplace safety hazards. In addition, daily monitoring and regular audits are carried out at the workplace. Once an abnormality is identified, corrective measures are enacted immediately and the results must be reported to the management. The Group has set the accident handling mechanism in place and has formulated contingency plans to control the situation as soon as possible.

Meanwhile, we value the training of employees regarding occupational health and safety to improve their safety awareness and avoid work-related safety incidents. Specialized safety and technical training is offered to employees who are engaged in jobs involving safety risks. When operations of machinery are involved, relevant employees can independently operate corresponding machines only after obtaining the operation license from state authorities and must receive regular safety training. In addition, we appraise the ability of the employees engaged in maintenance work monthly and ensure employees' compliance with our instructions and safety measures.

During the 2017/18 fiscal year, there were no major violations of occupational health and safety laws and regulations which have come to the attention of the Group.

B3 Development and Training

Employee Training Management

The training structure of the Group is "recruitment, in-service and further improvement". The induction training quickly familiarizes new recruits with basic business processes, rules and regulations, corporate culture, profile and other aspects of the Group, to help them quickly integrate into the Group. Training for in-service employees impart knowledge and skills in a variety of means such as classroom, multimedia, on-site demonstration and detailed teaching materials with a focus on professional skills, job requirements and other knowledge. For employees with potentials, the Group will provide further training including cross-departmental comprehensive training and may even arrange such employees to attend external professional training. The employees may be granted with training subsidies under the approval of the management. All these are intended to further improve employees' professional knowledge and comprehensive working abilities.

In order for training to be more in line with the actual needs of employees, the Group conducts a training need survey every year and formulates the annual employee training schedule based on the survey results and overall development direction of the Group. The Group also supervises and reviews the implementation progress of the training schedule and adjusts the schedule appropriately, and evaluates the training effectiveness based on employee satisfaction, learning effects, job performance, etc.

B4 Labour Standards

Anti-child Labour and Forced Labour

The Group strictly prohibits the hiring of employees below the statutory working age in the local place where it is operated and registers the valid identification documents of each new recruit to ensure the compliance of local statutory requirements. In addition, the Group explains the labour contract to each new recruit and the employee himself/herself needs to sign and agree to terms of the labour contract. We will never tolerate forced labour in the Group.

During the 2017/18 fiscal year, there were no major violations of laws and regulations against child labour and forced labour which have come to the attention of the Group.

B5 Supply Chain Management

Supplier Evaluation Mechanism

The Group incorporates requirements of the quality, environment, health & safety management systems into the assessment of suppliers and sets the corresponding requirements based on the environmental and social risk levels of the supplier. Suppliers are asked to provide valid business license and qualification certificates and state their commitment to the compliance of relevant laws and regulations. We also convey the Group's environmental and social risk management policies to suppliers and ask them to enact relating management measures in cooperation. When feasible, we visit the premises of the suppliers to conduct on-site review on the environmental and social-related matters.

B6 Product Responsibility

Quality Control

The Group has established a strict quality management and control system according to ISO9001:2015 and has obtained the corresponding certifications. The quality control team implements quality assurance procedures for raw materials and finished products at every stage in strict compliance with the Group's quality control provisions. For goods supplied by suppliers, the quality control team carefully examines the raw materials provided by the raw material suppliers before delivering them to third-party manufacturers, and carefully inspects the finished products delivered by the third-party manufacturers. Any raw material or finished product not up to our quality standards, specifications and requirements will be returned to the supplier or third-party manufacturer for replacement, return or remanufacture.

We also implement quality standards and control procedures for software products. Quality control measures are enacted for research & development ("**R&D**") projects to ensure that the process and deliverable of the R&D project meet the corresponding requirements and to improve the quality of software products. Phase reviews, regular inspections and irregular sampling inspections are conducted for system design and development based on the quality requirements and objectives of the project. Testing is performed prior to the establishment of a system. Program testing is executed to track the actual results and compare them with expected results, so as to find any errors. This can ensure to meet the needs of each customer while product standards and requirements are maintained in consistency.

Customer Service

The Group controls the communication and services before, during and after each product and service project, and arranges dedicated personnel to communicate with the customer at each stage who provide timely and appropriate support and make sure that customer's requirements are met. We will understand the needs of the customer in detail during the communication before the project starts and will initiate the project only after the customer is satisfied with the project plan, and will closely communicate with the customer regarding project progress, quality and services during the project implementation progress. Where necessary, we sometimes provide training programs and training materials to the customer, to ensure that the customer clearly knows how to use our products. Upon the completion of the project, we will offer timely maintenance services and technical advice, and will collect customer feedback to improve our product and service quality.

Customer Information and Privacy

The Group has formulated relevant internal controls to protect customer information. There are clear guidelines available for the collection, storage, use and destruction of customer information. Meanwhile, we have established a series of control procedures regarding data security such as firewall/password policies, user management, server room management, etc., to reduce the risk of customer data leakage to an acceptable level. In addition, employees of the Group are asked to keep customer information confidential and regularly check various security measures. Relevant requirements on security are set out expressly in the Employee Handbook, and all new recruits must sign a non-disclosure agreement with the Group agreeing to keep confidential the Group's data including customer information.

During the 2017/18 fiscal year, there were no major violations of product and service quality and customer privacy-related laws and regulations which have come to the attention of the Group.

B7 Anti-Corruption

Prevention of Bribery, Extortion, Fraud and Money Laundering

The Group strictly prohibits all forms of bribery, extortion, fraud and money laundering and expressly stipulates employees' codes of conduct and the integrity-breaching behavior in the Employee Handbook. Employees are asked to sign a statement at the time of entry agreeing to abide by related provisions. If an employee violates the codes of conduct stipulated in the Employee Handbook, the employee may be terminated or transferred to the law enforcement agency depending on the severity.

During the 2017/18 fiscal year, there were no major violations of laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering which have come to the attention of the Group.

B8 Community Investment

Funding Students and Alleviating Poverty

The Group is committed to giving back to society and shouldering social responsibilities. We have made corresponding social investments after understanding social needs to promote the development of the society. That is why we set up the "IBO Charity Fund" (the "**Fund**") in January 2018 with a purpose of funding students and alleviating poverty. In order to promote the development of the Fund and help more people in need, the Group donated about RMB1 million to the Fund and organized a charity event in joint efforts with Shenzhen Charity Federation. Famous Chinese calligraphers, painters and artists were invited to donate their calligraphies, Chinese paintings and oil paintings which were auctioned at the site. The event raised about RMB0.96 million for the Fund. To achieve the purpose of funding students and alleviating poverty, under the facilitation of the Group, the IBO Charity Fund signed a poor student funding project with Yangchun Education Bureau in January 2018, committing to providing learning and living subsidies and better learning conditions for 300 students who are in poverty or in poor health.


Stock Code : 2708
Listing Appreciation Dinner
艾安當代
伯功千秋


深圳市慈善会・艾伯慈善基金慈善晚会

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lai Tse Ming (黎子明先生), aged 56, is the founder of our Group, the chairman of our Board and our nomination committee and an executive Director. Mr. Lai is our controlling shareholder. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. Mr. Lai is the chairman of Abacus International and IBO Shenzhen. He is also a director of each subsidiary of our Company except Shenzhen Guotong. Mr. Lai has approximately 18 years of experience in the industry of information technology. Before founding our Group, Mr. Lai has been also the founder and chairman of Gee Fung (principally engaged in general trade) since 1995. Mr. Lai received a diploma in special zone economics (特區經濟學) from Jinan University (暨南大學) in 1988.

Mr. Lai was a director of the following companies which were incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Predecessor Companies Ordinance. It is confirmed by Mr. Lai that all the following deregistration was made voluntarily by way of submitting an application to the Registrar of Companies in Hong Kong because these companies had ceased to carryon business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of Company	Nature of business	Date of deregistration
Geven Industries Limited 致豐實業有限公司	Inactive	24 November 2000
Greatbest International Limited 嘉培國際有限公司	Inactive	24 December 2008
Tech Asia Holdings Limited 科亞集團有限公司	Inactive	22 July 2005

It is also confirmed by Mr. Lai that there is no outstanding or ongoing claim, litigation or liability against him in connection with such companies and the above companies were solvent at the relevant times.

Mr. Gao Weilong (高偉龍先生), aged 48, is our chief executive officer and an executive Director. He is responsible for overall management of our Group. He joined our Group in March 2006 and is currently the chairman of IBO Shenzhen Digital Technology and a director of Shenzhen Guotong and Shenzhen Bohai. Mr. Gao has approximately 26 years of experience in engineering and management. Prior to joining our Group, his primary working experience includes: an engineer and subsequently promoted to chief design engineer of China Southern Airlines Power Machinery Company* (中國南方航空動力機械公司) (principally engaged in the manufacturing of aircraft engines, as well as the research and development and manufacturing of motorcycles) from August 1992 to December 2001; a senior engineer of Minghua Environmental Automobile Company Limited* (明華環保汽車有限公司)(principally engaged in the research and design of the gasoline-electric hybrid vehicles and the components thereof) from January 2002 to May 2002; a managing engineer of TCL King Electronics (Shenzhen) Company Limited* (TCL 王牌電子（深圳）有限公司) (principally engaged in the research and development, manufacturing and sales of electronic products) from August 2002 to April 2003; a performance management supervisor of Shenzhen Southern CIMC Containers Manufacture Company Limited (深圳南方中集集裝箱製造有限公司) (a subsidiary of China International Marine Containers (Group) Company Limited, a company listed on the Stock Exchange (stock code: 2039) and the Shenzhen Stock Exchange (stock code: 000039) and principally engaged in the manufacturing of containers) from January 2004 to February 2006. Mr. Gao received a bachelor degree in automotive engineering in tractor (汽車工程系汽車拖拉機) from Chongqing University (重慶大學) in July 1992, a master degree in engineering in power mechanical engineering from Wuhan Automotive Polytechnic University (武漢汽車工業大學) (now known as Wuhan University of Technology (武漢理工大學）) in March 2000 and a Master of Business Administration (工商管理) from Peking University (北京大學) in June 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Teng Feng (滕峰先生), aged 43, is our chief technical officer and an executive Director. He is responsible for formation and management of the technical team of our Group. He joined our Group in November 2009. Mr. Teng has approximately 14 years of experience in research and development of wireless communication products and electronic label products. Prior to joining our Group, his primary working experience includes: a manager of the hardware department of Shenzhen Aerospace Intelligence Telecommunications Limited* (深圳市航通智能有限公司) (principally engaged in the development, sales and the relevant technical information of computer software and hardware, communication network devices and Global Positioning System integration) from November 2002 to September 2003; a general manager of the products department of Guangzhou Longsun Network Technology Company Limited*(廣州朗昇網絡科技有限公司) (principally engaged in computer network system engineering services) from January 2005 to April 2008; a technical director of Shenzhen An Zhi Mao Network Communications Company Limited* (深圳市安智貿網絡通信有限責任公司) (principally engaged in the technology development of network communication devices) from May 2008 to July 2009. Mr. Teng received a bachelor degree in engineering in automation in electrical equipments and measurement techniques (自動化系電子儀器及測量技術) from University of Electronic Science and Technology of China (中國電子科技大學) in July 1998 and a master degree in electronics and communication engineering (電子與通信工程領域) from Tsinghua University (清華大學) in January 2007.

Mr. Yu Kin Keung (余健強先生), aged 37, is our chief financial officer and an executive Director. He is responsible for the overall management of the financial matters of our Group. Mr. Yu joined us in January 2016. Prior to joining our Group, his primary working experience includes: an auditor of Hong Kong Great Wall CPA Limited (principally engaged in provision of auditing, taxation and company secretarial services) from March 2008 to October 2009; an assistant accountant of Evermate Trading Limited (principally engaged in the mining and trading of iron ore) from June 2010 to September 2010; an account manager of Chung Yuen High Polymer New Materials Holdings Limited (principally engaged in the production and trading of biodegradable plastics) from September 2010 to May 2014; a finance manager of China Animation Characters Company Limited (a company listed on the Stock Exchange (stock code: 1566) and principally engaged in trading of animation derivative products) from May 2014 to October 2015; a finance director of Bakerhouse Global Limited (principally engaged in financial advice) from October 2015 to January 2016. Mr. Yu graduated from Monash University, Australia with a bachelor degree in commerce in accountancy and finance in December 2007. Mr. Yu has been an associate member of CPA Australia since July 2011.

Mr. Lyu Huiheng (呂惠恒先生), aged 39, is an executive Director. He is responsible for supervising legal related matters of our Group. He joined our Group in May 2017. Mr. Lyu is qualified to practice law in the PRC since June 2008 and possesses extensive experience in the legal field. He had been working as a lawyer in Beijing Jincheng Tongda Law Firm* (金誠同達律師事務所) from June 2008 to November 2009 and Beijing Huicheng (Shenzhen) Law Group* (北京市惠誠（深圳）律師事務所)from January 2011 to November 2012, and is currently a lawyer in Beijing Jurisino (Shenzhen) Law Group* (北京市時代九和（深圳）律師事務所) since December 2012. Mr. Lyu is a deputy general manager in Shenzhen Liandao Capital Management Co. Ltd.* (深圳市聯道資產管理有限公司) (principally engaged in investment banking and private equity investment management) since March 2016. He is also a director of Union Way International Investment Group Limited (聯道國際投資集團有限公司) (principally engaged in provision of financial advice) and Union Films Limited (合眾影業有限公司) (principally engaged in production shooting projects) since March 2016 and September 2016, respectively. Mr. Lyu has been a chairman' s assistant of Shenzhen Jimmy Chemical Technology Co., Ltd.* (深圳市超美化工科技有限公司) (principally engaged in manufacturing of car care and fuel additive products) from April 2006 to June 2008. Mr. Lyu received a Bachelor of Laws Degree from Shenzhen University in July 2002 and a Master of Laws Degree in International Economic Law from The University of Warwick in January 2005.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. He Tianxiang (何天翔博士), aged 34, was appointed as an independent non-executive Director on 6 December 2017. Dr. He does not hold any other position with the members of our Group. He is currently an assistant professor in the School of Law in the City University of Hong Kong since August 2016. Dr. He received a Bachelor of Laws Degree from Huaqiao University (華僑大學) in July 2007, a Master of Laws Degree in International Law from Jinan University (暨南大學) in June 2009. He also received a Doctor' s degree in the Faculty of Law from Maastricht University in July 2016 and a Doctor' s degree in Criminal Law from Renmin University of China (中國人民大學) in January 2017.

Dr. Wong Kwok Yan (黃國恩博士), aged 54, was appointed as an independent non-executive Director on 6 December 2017. Dr. Wong does not hold any other position with the members of our Group. He is a solicitor in Hong Kong and has over 20 years of experience in the legal profession. Dr. Wong has been the principal of Christopher K. Y. Wong, Solicitors since June 2005. Dr. Wong has obtained the following professional qualifications: Chartered Member & Associateship of the Textile Institute (U.K.) in 1990; Civil Celebrant of Marriage in 2006; China-Appointed Attesting Officer in 2009; Arbitrator of Shenzhen International Court of Arbitration/South China International Economic and Trade Arbitration Commission in 2015. Dr. Wong has been an appointed member of the Wong Tai Sin District Council from 2008 to 2011 and 2012 to 2015. Dr. Wong graduated from the Hong Kong Polytechnic University with the academic qualification of Associateship in Textile Technology in 1988. He accomplished the Common Professional Examination of England and Wales jointly organised by the Manchester Metropolitan University (UK) and the University of Hong Kong in 1993. In 1995, he completed the Postgraduate Certificate in Laws from the University of Hong Kong. Dr. Wong was awarded a Bachelor of Laws Degree by the Peking University (北京大學) in 2002, a Master of Laws Degree in Chinese and Comparative Law by the City University of Hong Kong in 2005, and a Doctor of Laws Degree in Environmental and Resource Protection Law by the Renmin University of China (中國人民大學) in 2012.

Mr. Hung Muk Ming (洪木明先生), aged 53, was appointed as an independent non-executive Director on 6 December 2017. Mr. Hung does not hold any other position with the members of our Group. Mr. Hung has over 25 years of experience in auditing, finance and accounting. Since February 2017, Mr. Hung has been a director of Hua Guan New Materials Company Limited* (華冠新型材料股份有限公司), a subsidiary of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in steel production. From February 2005 to February 2017, Mr. Hung was the group financial controller of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. Hung was the group financial controller of Hoi Meng Group* (開明集團). From July 2001 to September 2002, Mr. Hung worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. Hung was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. Hung was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. Hung is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Industries Ltd. (Stock code: 171), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange and an independent non-executive director and chairman of the remuneration committee of China Animation Characters Co. Ltd. (Stock code: 1566), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. Hung was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange. Mr. Hung received a bachelor ' s degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. Hung obtained a master' s degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. Hung has been a Certified Tax Adviser since July 2010, a member of the Taxation Institute of Hong Kong since June 2010, a fellow member of the Hong Kong Institute of Directors since November 2009, associate of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Peng Jinzhi (彭金志先生), aged 55, is the financial controller of IBO Shenzhen and is responsible for the overall management of the financial matters of IBO Shenzhen. Mr. Peng joined us in April 2002. Prior to joining our Group, his primary working experience includes: an accountant of Jiangxi Department Store Textile Company* (江西省百貨紡織品公司) (principally engaged in the sales of general merchandise, textiles, cultural products, metal hardware, chemicals and furniture) from March 1983 to September 1994; a general manager of the finance department of Xiamen Yincheng Company Limited* (廈門銀城股份有限公司) (principally engaged in brewing of beer, production of natural mineral water, drinks, canned foods and glassware, and wholesale and retail of beer, foods, drinks and cigarettes (retail only)) from September 1995 to October 1998; a deputy general manager and finance manager of Shandong Zouping Chaoyi Packaging Color Printing Limited* (山東鄒平超藝包裝彩色印刷有限公司) (principally engaged in processing and sales of packaging, prints, plastic films, cartons and household paper) from November 1998 to November 2001. Mr. Peng graduated from Jiangxi Institute of Finance* (江西財經學院) (now known as Jiangxi University of Finance and Economics (江西財經大學）) with a diploma in accounting (會計) in June 1991. Mr. Peng has been a member of the Chinese Institute of Certified Public Accountants and a certified tax agent since November 2003 and January 2005 respectively.

Mr. Pang Chun Yip (彭俊業先生), aged 38, is our finance manager and company secretary and is responsible for the overall management of the accounting, financial compliance and secretarial matters of our Group. Mr. Pang joined our Group in May 2017. Mr. Pang has over 10 years of experience in accounting. Before joining our Group, from January 2005 to October 2006, he worked at Wong Kwok Tai & Co. as an audit trainee and was subsequently promoted to an audit semi-senior. During the period of March 2007 to August 2008, Mr. Pang was a semi-senior auditor at Y. L. Ngan & Company Certified Public Accountants. During the period of October 2008 to January 2015, he worked as an assistant accountant in Hanison Construction Company Limited. In January 2015, Mr. Pang joined Wang Kei Yip Development Limited and acted as a senior accountant until August 2015. From September 2015 to November 2016, Mr. Pang worked at China Overseas (Hong Kong) Limited as an accountant. Mr. Pang is currently a senior accountant in Big Success Accounting Services Limited since November 2016. Mr. Pang graduated from The Chinese University of Hong Kong with a bachelor degree in business administration in December 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

Mr. Lai Kam Man (黎錦文先生), aged 30, is our project development director and is responsible for the overall management of project development of our Group. Mr. KM Lai is the son of Mr. Lai. He joined our Group in August 2013. Mr. KM Lai graduated from Jinan University (暨南大學) with a bachelor degree in international economics and trading (國際經濟與貿易) in July 2013.

Mr. Gan Xianqing (甘顯清先生), aged 34, is the general manager of operation of our Group and is responsible for the overall management of the operational matters of our Group. He is also a director of IBO Shenzhen and IBO Shenzhen Digital Technology, and the chief of internal audit of our Group. Mr. Gan joined us in July 2008 as a secretary of the chairman. He graduated from South China Agricultural University (華南農業大學) with a bachelor degree in management in marketing (市場營銷) in July 2008.

Mr. Wang Changhan (王昌漢先生), aged 56, is the general manager of system maintenance of our Group and is responsible for the overall management of the operational maintenance in system information service technology of our Group. Mr. Wang joined us in June 2004. Prior to joining our Group, Mr. Wang was an accountant of Yangchun Supply and Marketing Cooperatives* (陽春市供銷社) (principally engaged in the wholesale, retail and processing of agricultural products) from August 1981 to March 1984. Since April 1984, Mr. Wang worked for different branches in Industrial and Commercial Bank of China. Mr. Wang joined the Yangchun Branch as an accountant in the business department in May 1984, and his last position in the Yangchun Branch was a manager in the credit business department. Mr. Wang was promoted to a vice president of the Jiangcheng Branch in Yangjiang City in 1988 and was further promoted to a branch president of the Yangxi branch in 1998. Mr. Wang graduated from Party School of the Guangdong Provincial Committee* (中共廣東省委黨校) with a bachelor degree in economics management (經濟管理) in December 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu Fujian (朱福建先生), aged 42, is the sales director of our Group and is responsible for the overall management of the sales matters of our Group. Mr. Zhu joined us in July 2003. Prior to joining our Group, his primary working experience includes: a technician of Guizhou Shuangyang Aircraft Factory* (貴州雙陽飛機廠) (principally engaged in the development, manufacturing, sales and services of electronic products, and the development, provision of technological advice and technical services of computer software) from August 1999; a software engineer of Shenzhen Weixin Intelligence Technology Company Limited* (深圳市威信智能技術有限公司) (principally engaged in the technology development of intelligent monitoring products and computer application system) from December 2001 to October 2002; a software engineer of Shenzhen Xifeng Group Institute* (深圳市西風集團研究院) (principally engaged in the research and development of network technology, network software, digital TV broadcasting technology and optical communication technology) from April 2003 to December 2003. Mr. Zhu graduated from Shenyang Aviation Industry School* (瀋陽航空工業學院) (now known as Shenyang Aerospace University (瀋陽航空航天大學）) with a bachelor degree in aircraft manufacturing engineering (飛行器製造工程) in July 1999 and Lanzhou Jiaotong University (蘭州交通大學) with a master degree in transportation engineering (交通運輸工程領域) in June 2011.

Mr. Zhao Yunhui (趙雲輝先生), aged 49, is the project implementation director of our Group and is responsible for the overall management of the project implementation matters of our Group. Mr. Zhao joined us in July 2005. Prior to joining our Group, his primary working experience includes a manager of major project department of Shenzhen Fu An Security Systems Limited* (深圳市賦安安全系統有限公司) (principally engaged in the research and development, manufacturing and sales of fire-fighting products and software) from March 1997 to January 2004. Mr. Zhao graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) with a bachelor degree in engineering in precision instrument (精密儀器) in July 1992.

REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2018 of the Group.

PRINCIPAL BUSINESSES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands in accordance with the Companies Law of the Cayman Islands on 15 April 2016 and became the holding company of our Group on 29 June 2016. The Company is an investment holding company, the major subsidiaries of which are mainly engaged in such business activities as set forth in notes 1 and 33 to the consolidated financial statements.

SHARE ISSUANCE

400,000,000 ordinary shares of the Company at an offer price of HK$1.5 per share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) were listed on the Main Board of the Stock Exchange on 28 December 2017 (the "**Listing Date**").

FINANCIAL RESULTS

The results of the Group for the year ended 31 March 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 58.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622) of Hong Kong including an analysis of the Group's performance, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the above sections headed "Chairman's Statement", "Management Discussion and Analysis" and this Report of Directors of this annual report. Details of the Group's financial risk management are disclosed in note 27 to the consolidated financial statements.

In addition, relevant details of the Company's environment policies and performance are set out in the "Environmental, Social and Governance Report" section above.

SHARE CAPITAL

As of 31 March 2018, the total amount of the issued share capital of the Company was approximately RMB3,350,000, divided into 400,000,000 shares of HK$0.01 per share. Details of changes in the share capital of the Company during the period under review are set out in note 25 to the consolidated financial statements.

ISSUED DEBENTURES

During the period under review, the Company did not have any issued debentures.

RELATIONSHIP WITH EMPLOYEES

We value our employees who are the Group's most important assets. We reward our staff with competitive remuneration packages and benefits. We are committed to fostering a conducive, harmonious and discrimination-free working environment. We have training budget to subsidise the employees' continued professional development.

CHARITY AND DONATIONS

During the year, the Group had a total of approximately RMB2,030,000 for charity and donation purposes.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values mutually beneficial long-standing relationships with business partners. The Group maintains a good relationship with suppliers and customers via establishing cooperation strategy with suppliers, and providing quality services and consumption experiences to our customers respectively. The Group also maintains constant communication with its suppliers to actively and effectively strengthen the working relationship, which helps ensure their timely delivery according to specification, and in turn, ensure the stability the Group's business.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risks of violating relevant regulations. To address the increasingly complicated business and regulatory environments, the Group strengthened its efforts to comply with new or revised regulatory requirements and meet the rising expectations from our stakeholders. In addition to our ongoing review over newly enacted or revised laws and regulations that may affect the business of the Group, the Group provided the relevant training and guidelines to our employees to ensure their compliance.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

DISTRIBUTABLE RESERVES

The reserves distributable to the shareholders of the Company amounting approximately RMB239,912,000 as at 31 March 2018 included share premium and retained profit.

REPORT OF DIRECTORS

DIRECTORS

During the year to the date of this report, the Directors of the Company comprised:

Executive Directors

Mr. Lai Tse Ming *(Chairman)*
Mr. Gao Weilong *(Chief Executive Officer)*
Mr. Teng Feng
Mr. Yu Kin Keung
Mr. Lyu Huiheng

Independent Non-executive Directors

Dr. He Tianxiang
Dr. Wong Kwok Yan
Mr. Hung Muk Ming

Particulars of the Directors are set out in the section headed "Directors and Senior Management" of this report.

All Directors will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this report, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rules 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

PERMITTED INDEMNITY PROVISION

In accordance with the Articles of Association of the Company, as well as subject to laws and regulations, all lawsuits, costs, fees, losses, damages and expenses which each Director of the Company may sustain or incur with respect to or in connection with the performance of his/her office shall be indemnified against from the assets and profits of the Company save that such indemnity will not extend to any matter involving any fraud or dishonesty committed by any such Director.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors, except for Mr. Hung Muk Ming, an independent non-executive Director whose term is two years, entered into a service contract or letter of appointment with the Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other.

No Director has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

RIGHTS OF DIRECTORS TO ACQUIRE SHARES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year under review.

DIRECTORS' INTERESTS ON MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 32 to the consolidated financial statements, no material transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review. No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the financial period.

MATERIAL CONTRACTS

Save as disclosed in the Prospectus and in the consolidated financial statements, no controlling shareholder or any of its subsidiaries has any material contract (including material contracts for the provision of services) with the Company or its subsidiaries during the year under review.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2018 by independent professional property valuer and the gain/loss arising as changes in fair value of investment properties, which had been charged directly to profit or loss. Details of the Group's properties as at 31 March 2018 are set out on note 16 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the "**Scheme**") on 6 December 2017 which is valid and effective for a period of 10 years from 6 December 2017. The purpose of the Scheme is to enable the Company to grant share options (the "**Share Options**") to the eligible participants as incentives or rewards for their contributions to the Group. Eligible participants of the Scheme include any full-time or part-time employee of the Company or any member of the Group, including any of the executive Directors, non-executive Directors and independent non-executive Directors, trustees, advisers, consultants, suppliers, customers of the Group or any other person who, in the sole discretion of the Board, will contribute or have contributed to the Group.

SHARE OPTION SCHEME (Continued)

The following is a summary of the principal terms of the Scheme approved by the resolution of the shareholders passed on 6 December 2017. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Scheme is for our Group to attract, retain and motivate talented participants (as defined in paragraph (c) below), to strive for future developments and expansion of our Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of our Group and allow the participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Scope of participants and eligibility of participants

The Board may, at its discretion, invite:

(i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;

(iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;

(iv) any provider of goods and/or services to our Group; or

(v) any other person who the Board considers, in its sole discretion, has contributed to our Group to take up the Share Options.

In determining the basis of eligibility of each participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(c) Acceptance of offer

Offer of a Share Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Share Option duly signed by the grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(d) Subscription price

The subscription price for the shares under the Scheme shall be a price determined by the Board at its sole discretion and notified to the participant and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which a Share Option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which a Share Option is granted; and (iii) the nominal value of a share.

SHARE OPTION SCHEME (Continued)

(e) Maximum number of shares available for subscription

(i) Subject to (iv) below, the total number of shares which may be issued upon exercise of all Share Options to be granted under the Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the shares in issue immediately upon completion of the global offering and the capitalisation issue, unless our Company obtains an approval from our shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, our Company may seek approval of our shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of shares which may be issued upon exercise of all Share Options to be granted under the Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, our Company may seek separate approval from our shareholders in general meeting for granting Share Options beyond the 10% limit provided the Share Options granted in excess of such limit are granted only to participants specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to our shareholders containing the information required under the Listing Rules.

(iv) Notwithstanding any other provisions of the Scheme, the maximum number of shares in respect of which Share Options may be granted under the Scheme together with any options outstanding and yet to be exercised under the Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. No Share Option may be granted under the Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(f) Conditions, restrictions or limitations on offers of Share Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Share Option, there are neither any performance targets that need to be achieved by the grantee before a Share Option can be exercised nor any minimum period for which a Share Option must be held before the Share Option can be exercised. Subject to the provisions of the Scheme and the Listing Rules, the Board may when making the offer of Share Options impose any conditions, restrictions or limitations in relation to the Share Option as it may at its absolute discretion think fit.

(g) Maximum entitlement of shares of each participant

(i) Subject to paragraph (ii) below, the total number of shares issued and to be issued upon exercise of the Share Options granted to each participant (including both exercised, cancelled and outstanding Share Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

(ii) Notwithstanding (i) above, any further grant of Share Options to a participant in excess of the 1% limit shall be subject to approval by our shareholders in general meeting with such participant and his or her close associates (or his or her close associates if the participant is a core connected person) abstaining from voting. The number and the terms of the Share Options to be granted to such participant shall be fixed before our shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

SHARE OPTION SCHEME (Continued)

(h) Grant of Share Options to connected persons

(i) Any grant of Share Options to a participant who is a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors of our Company (excluding independent non-executive Director who is the participant).

(ii) Where the Board proposes to grant any Share Option to a participant who is a substantial shareholder or an independent non-executive Director, or any of their respective associates and such Share Option which if exercised in full, would result in such participant becoming entitled to subscribe for such number of shares, when aggregated with the total number of shares already issued and issuable to him or her pursuant to all Share Options granted and to be granted (including Share Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and

(2) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of such grant and if the date of such grant is not a trading day, the trading day immediately preceding the date of such grant, in excess of HK$5 million, such proposed grant of Share Options must be approved by our shareholders in general meeting. In such a case, our Company shall send a circular to our shareholders containing all those terms as required under the Listing Rules. The participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

(i) Exercise of Share Options

A Share Option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which a Share Option was granted, at any time during the option period after the Share Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(j) Duration of the Scheme

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue.

During the year ended 31 March 2018, no Share Option has been granted.

As at the date of this report 40,000,000 shares which may be issued upon the exercise of the Share Options which may be granted under the Scheme, representing 10% of the issued share of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares

Name of Director	Capacity/Nature of interests	Number of shares held/interested in	Percentage of shareholding *(Note 1)*
Mr. Lai Tse Ming ("**Mr. Lai**")	Interest of controlled corporation *(Note 2)*	223,220,000	55.81%

Notes:

1. The percentage of shareholding is calculated based on 400,000,000 shares in issue as at the date of this report.

2. These 223,220,000 shares are held by Shine Well Holdings Limited ("**Shine Well**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai.

Long positions in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of shares held/interested in	Percentage of shareholding
Mr. Lai	Shine Well	Beneficial owner *(Note)*	1,000,000	100%

Note: The Company is owned as to 55.81% by Shine Well. Shine Well is wholly and beneficially owned by Mr. Lai.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares

Name of shareholders	Capacity/Nature of interests	Number of shares held/interested in	Percentage of shareholding *(Note 1)*
Shine Well *(Note 2)*	Beneficial owner	223,220,000 *(Note 5)*	55.81% *(Note 5)*
Ms. Ho Fung Lin ("**Ms. Ho**") *(Note 2)*	Interest of spouse	223,220,000 *(Note 5)*	55.81% *(Note 5)*
Value Convergence Holdings Limited *(Note 3)*	Beneficial owner and interest in a controlled corporation	32,022,000 *(Note 5)*	8.00% *(Note 5)*
VC Group Holdings Limited *(Note 3)*	Interest in a controlled corporation	31,500,000 *(Note 5)*	7.88% *(Note 5)*
Century Race Investments Limited ("**Century Race**") *(Note 3)*	Beneficial owner	31,500,000 *(Note 5)*	7.88% *(Note 5)*
Ping An Securities limited ("**Ping An Securities**") *(Note 4)*	Beneficial owner	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Grand Ahead Finance Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Ping An Securities Group (Holdings) Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Well Up (Hong Kong) Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
King Focus International Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Ever Step Holdings Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Chong Sing Holdings FinTech Group Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Charm Success Group Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Deep Wealth Holding Limited *(Note 4)*	Interest in a controlled corporation	27,000,000 *(Note 5)*	6.75 *(Note 5)*
TMF (Cayman) Limited *(Note 4)*	Trustee	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Cui Xintong *(Note 4)*	Founder of discretionary trust who can influence how the trustee exercise his discretion	27,000,000 *(Note 5)*	6.75 *(Note 5)*
Lee Ken-yi Terence *(Note 4)*	Interest of spouse	27,000,000 *(Note 5)*	6.75 *(Note 5)*

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Long positions in the shares (Continued)

Notes:

1. The percentage of shareholding is calculated based on 400,000,000 shares in issue as at the date of this report.

2. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai. Mr. Lai is therefore deemed to be interested in the shares held by Shine Well pursuant to the SFO. Ms. Ho is the spouse of Mr. Lai and thus she is deemed to be interested in the shares in which Mr. Lai is interested for the purpose of the SFO.

3. Century Race is wholly and beneficially owned by VC Group Holdings Limited. VC Group Holdings Limited, a company incorporated in the BVI, is wholly and beneficially owned by Value Convergence Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0821). Value Convergence Holdings Limited and VC Group Holdings Limited are therefore deemed to be interested in the shares held by Century Race pursuant to the SFO.

4. Ping An Securities is wholly and beneficially owned by Grand Ahead Finance Limited, which is in turn wholly-owned by Ping An Securities Group (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 0231). Ping An Securities Group (Holdings) Limited is therefore deemed to be interested in the shares held by Ping An Securities pursuant to the SFO. As at the date of this report and to the best knowledge of the Directors, Well Up (Hong Kong) Limited is interested in 63.43% of the entire issued share capital of Ping An Securities Group (Holdings) Limited. Well Up (Hong Kong) Limited is wholly-owned by King Focus International Limited, which is in turn owned as to 49% by Charm Success Group Limited and 37% by Ever Step Holdings Limited, respectively.

   Charm Success Group Limited is wholly-owned by Deep Wealth Holding Limited, which is in turn wholly-owned by TMF (Cayman) Limited as a trustee. Ms. Cui Xintong is the founder of the trust and Mr. Lee Ken-yi Terence is the spouse of Ms. Cui Xintong.

   Ever Step Holdings Limited is wholly-owned by Chong Sing Holdings FinTech Group Limited.

   Therefore each of Well Up (Hong Kong) Limited, King Focus International Limited, Ever Step Holdings Limited, Chong Sing Holdings FinTech Group Limited, Charm Success Group Limited, Deep Wealth Holding Limited, TMF (Cayman) Limited, Ms. Cui Xintong and Mr. Lee Ken-yi Terence is deemed to be interested in 63.43% of the entire issued share capital of Ping An Securities Group (Holdings) Limited. Through such interests, each of them is therefore deemed to be interested in shares in which Ping An Securities is interested for the purpose of the SFO.

5. Pursuant to the EN Subscription Agreement dated 8 January 2016 and the EN Supplemental Subscription Agreement dated 6 July 2016 (as amended by the second and third supplemental agreements dated 28 December 2016 and 8 May 2017, respectively), 9% of shares were automatically exchanged to the shares held by Shine Well representing 9% of the entire issued share capital of the Company on 21 December 2017.

Save as disclosed above, and as at the date of this report, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time since the Listing Date and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENT POLICY

The emolument policy of the employees and seniors management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having regard to relevant Director's experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration. Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 11 and 12 to the consolidated financial statements in this annual report.

RETIREMENT SCHEMES

The Group participated in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") in favor of all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the management of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified thereof. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

RELATED PARTY TRANSACTION

Details of related party transactions of the Group are set out in note 32 to the consolidated financial statements. As the relevant transaction constitutes de minimis continuing connected transaction of our Company under Rule 14A.76 of the Listing Rules which will be fully exempt from the reporting, annual review, announcement and independent Shareholders ' approval requirements under Chapter 14A of the Listing Rules, as such, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

The Company has received the written confirmation from each of Lai Tse Ming and Shine Well (the "**Covenantors**") in respect of the compliance with provisions of the Deed of Non-competition ("**Deed of Non-competition**") entered into between the Covenantors and the Company as set out in the paragraphs headed "NON-COMPETITION UNDERTAKING" in the section headed "RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS" of the Prospectus during the period commencing from the Listing Date and ending on 31 March 2018. Each of the Covenantors has given confirmation and representation that, during the period commencing from the Listing Date and ending on 31 March 2018, he/it has strictly complied with the Deed of Non-competition without any breach thereof. All the independent non-executive Directors have reviewed the matters in relation to the enforcement of the Deed of Non-competition, and each of them was of the view that the Covenantors have complied with the provisions of the Deed of Non-competition during the period commencing from the Listing Date and ending on 31 March 2018.

COMPETING BUSINESS

For the period from the Listing Date and up to the date of this report, none of the Directors or the controlling shareholder and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the Listing Date, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Directors are not aware of any tax relief or exemption available to the shareholders of the Group by reason of their holding of the securities of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major customers and suppliers during the year are set out below:

The 5 largest customers of the Group accounted for approximately 82% of the Group's revenue and the largest customer accounted for approximately 31% of the Group's revenue. The 5 largest suppliers of the Group accounted for 81% of the Group's purchases and the largest supplier accounted for approximately 22% of the Group's purchases.

None of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of the annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company issued 100,000,000 new shares for the listing at the offer price of HK$1.5 per share. The net proceeds from the listing, after deducting underwriting commissions and listing related expenses, were approximately RMB88 million.

As of 31 March 2018, The Group has utilised a total of approximately RMB22.65 million from the net proceeds. The unutilised net proceeds from global offering have been deposited in a licensed bank in Hong Kong. The utilisation of net proceeds was summarised as below:

	Original allocation of net proceeds from global offering		Actually utilised amount as of 31 March 2018	Unutilised amount as of 31 March 2018
	%	RMB'000	RMB'000	RMB'000
Used for actively expanding our businesses through extending the application of our technologies into different sectors of the "Smart City" market from 2017 to 2018	54.3	47,784	18,264	29,520
Used for identifying beneficial strategic investment opportunities from 2017 to 2019	19.4	17,072	–	17,072
Used for further enhancement of our R&D development capability, in technologies including but not limited to digital driver and vehicle identification, face detection and digital monitoring of gas cylinders technologies from 2017 to 2019	16.3	14,344	1,951	12,393
Used for additional working capital and other general corporate purpose	10.0	8,800	2,439	6,361
	100.0	88,000	22,654	65,346

CLOSURE OF REGISTER OF MEMBERS FOR AGM

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 27 August 2018, the register of members will be closed from 21 August 2018 to 27 August 2018, both days inclusive, during which no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on 20 August 2018.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that had occurred after 31 March 2018 and up to the date of this report.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past four financial years are set out on page 104 of this report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee of the Board consists of three independent non-executive Directors, namely Dr. He Tianxiang, Dr. Wong Kwok Yan and Mr. Hung Muk Ming. The Group's audited consolidated financial statements and annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee of the Board, the members of which have met the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, for the review of the Group's results for the year ended 31 March 2018.

The Audit Committee of the Board has reviewed the Company's audited consolidated financial statements for the year ended 31 March 2018 and the accounting principles and practices adopted by the Group, and has discussed auditing, risk management, internal controls and financial reporting matters for the year ended 31 March 2018 with the management. They have also reviewed and approved the engagement of external auditors for providing non-audit services, the remuneration in respect of audit and non-audit services provided by external auditors, risk management and internal control systems and the effectiveness of the internal audit function.

AUDITOR

Messrs. Deloitte Touche Tohmatsu were appointed as auditor of the Company during the period. A resolution will be submitted to the 2018 annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Lai Tse Ming
Chairman

Hong Kong, 20 June 2018

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Listing Rules from the Listing Date to the year ended 31 March 2018. The Board and the management of the Group consider that maintaining a well-established corporate governance practices and procedures is the key to success, and firmly believes that the principles of transparency, accountability and independence are essential for upholding the interests of the stakeholders and maximizing shareholder's value.

The Board is committed to excellence in corporate governance. It is responsible for developing and reviewing the Company's policies and practices on corporate governance as well as compliance with legal and regulatory requirements.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' transactions in securities of the Company (the "**Company's Code**") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code throughout the period commencing from the Listing Date to 31 March 2018.

BOARD OF DIRECTORS

Board Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making, which assumes the responsibility for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Board of the Company currently comprises the following Directors:

Executive Directors
Mr. Lai Tse Ming *(Chairman)*
Mr. Gao Weilong *(Chief Executive Officer)*
Mr. Teng Feng
Mr. Yu Kin Keung
Mr. Lyu Huiheng

Independent Non-executive Directors
Dr. He Tianxiang
Dr. Wong Kwok Yan
Mr. Hung Muk Ming

None of the members of the Board is related to one another. Details of background and qualifications of all Directors are set out in the section headed "Directors and Senior Management" of this annual report.

The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Group. The roles of the Chairman and Chief Executive Officer are separate and exercised by Mr. Lai Tse Ming and Mr. Gao Weilong respectively. Mr. Lai Tse Ming is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. Mr. Gao Weilong is responsible for overall management of the Group. A balanced composition of executive and independent non-executive Directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interest of the Group. The composition of the Board is reviewed by the Company from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

Code provision A.2.1 of the Corporate Governance Code requires that the responsibilities between the chairman and the chief executive officer should be segregated.

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Lai Tse Ming is the chairman of the Board and Mr. Gao Weilong is the chief executive officer of the Company. Mr. Lai is in charge of the management of the Board and strategic planning of the Group. Mr. Gao is responsible for the day-to-day management of the Group's business. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Code provision A.2.7 of the Corporate Governance Code requires that the chairman should at least annually holds meetings with the non-executive Directors without the executive Director present. For the period from the Listing Date and up to the date of this report, the Chairman held a meeting with the independent non-executive Directors without the presence of the executive Director.

Independent Non-executive Directors

During the period from the Listing Date to 31 March 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The role of independent non-executive Directors is to provide independent and unbiased opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. Independent non-executive Directors serve actively on the Board and the Committees of the Board to provide their independent, constructive and informed comments.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

All Directors of the Company, except for Mr. Hung Muk Ming, an independent non-executive Director whose term is two years, are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors

The Board is primarily responsible for overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group.

The Board is also responsible for determining the Company's corporate governance policies which include:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) To review the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and its disclosure requirements in the Corporate Governance Report.

During the year ended 31 March 2018, the Board had performed the above-mentioned corporate governance functions by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management, who fulfill their duties within their scope of authority and responsibility. Divisional heads are responsible for different aspects of the businesses. Major functions delegated to management include preparation of annual and interim results; execution of business strategies and initiatives adopted by the Board; implementation of adequate risk management and internal control systems; and compliance with the relevant statutory requirements. The functions and power that are so delegated are reviewed periodically by the Company to ensure that they remain appropriate.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors

Every newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The company secretary of the Company (the "**Company Secretary**") from time to time provides the Directors with updates on latest development and changes to the Listing Rules and other relevant legal and regulatory requirements. The Directors are encouraged to participate in continuous professional developments (the "**Continuous Professional Development**") to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 March 2018, all Directors have participated in Continuous Professional Development to develop and refresh their knowledge and skills. A summary of training received by the Directors is as follows:

	Training Areas	
Name of Directors	**Corporate governance/ updates on laws, rules & regulations**	**Accounting/ financial/ management or other professional skills**
Executive Directors		
Mr. Lai Tse Ming *(Chairman)*	✓	✓
Mr. Gao Weilong *(Chief Executive Officer)*	✓	✓
Mr. Teng Feng	✓	✓
Mr. Yu Kin Keung	✓	✓
Mr. Lyu Huiheng	✓	✓
Independent Non-executive Directors		
Dr. He Tianxiang	✓	✓
Dr. Wong Kwok Yan	✓	✓
Mr. Hung Muk Ming	✓	✓

Board Meetings

Pursuant to code provisions of the Corporate Governance Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

The Board is responsible for the approval and monitoring of the Company's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board met once during the period from the Listing Date and up to 31 March 2018. From 1 April 2018 to the date of this annual report, the Board also held one meeting and the principal businesses transacted include:

- Assessing business performance and planning future business directions;
- Approving the interim report for the six months ended 30 September 2017;
- Approving the financial results and reports for the year ended 31 March 2018;
- Adopting the risk management policy.

BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

Notice of the Board meeting, agenda and Board papers were sent to the Directors in a timely manner before the meeting. All members of the Board were present at the Board meeting.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors namely Mr. Hung Muk Ming, Dr. He Tianxiang and Dr. Wong Kwok Yan. The chairman of the Audit Committee, Mr. Hung Muk Ming, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

The duties of the Audit Committee shall be:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;

(c) to review the Company's financial controls, risk management and internal control systems;

(d) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems.

The Audit Committee met once during the period from the Listing Date and up to 31 March 2018. From 1 April 2018 and to the date of this annual report, one Audit Committee meeting was held and all the members of the Audit Committee were present at the meeting. The Audit Committee also met the external auditors once from the Listing Date to date of this report without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The major works performed are as follows:

- Reviewing and recommending for the Board's approval the interim report for the six months ended 30 September 2017;
- Reviewing and recommending for the Board's approval the financial results and reports for the year ended 31 March 2018;
- Recommending to the Board of the re-appointment of external auditor for the year ending 31 March 2019;
- Reviewing certain aspects of the internal control systems of the Group;
- Recommending for the Board's approval the adoption of risk management policy; and
- Assisting the Board in meeting its responsibilities for evaluating, establishing and maintaining effective risk management and internal control systems of the Group.

The Group's annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of one executive Director, being Mr. Gao Weilong, and two independent non-executive Directors, being Dr. Wong Kwok Yan and Dr. He Tianxiang.

The duties of the Remuneration Committee shall be:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for development such policy;

(b) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors.

The remuneration packages are determined with reference to the time commitment and responsibilities of each individual, the Company's performance and the prevailing market conditions.

There had not been any Remuneration Committee meeting held during the period from the Listing Date to 31 March 2018. From 1 April 2018 and up to the date of this annual report, one Remuneration Committee meeting was held and all the members of the Remuneration Committee were present at the meeting and the major works performed are as follows:

- Reviewing and making recommendations to the Board on the remuneration of independent non-executive Directors with reference to the time and efforts involved in discharging their duties and the prevailing market conditions; and
- Reviewing and determining the change of remuneration packages for the executive Directors, senior management and other employees of the Group for the year commencing 1 April 2018.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The remuneration of the Directors and the members of senior management for the year by band is set out below:

	Number of Individuals
Nil–HK$1,000,000	15
HK$1,000,001–HK$1,500,000	–
HK$1,500,001–HK$5,000,000	–
HK$5,000,001–HK$10,000,000	–

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 11 and 12 respectively to the consolidated financial statements.

Nomination Committee

The Nomination Committee consists of one executive Director, being Mr. Lai Tse Ming (Chairman), and two independent non-executive Directors, being Dr. Wong Kwok Yan and Mr. Hung Muk Ming.

The duties of the Nomination Committee shall be:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis (at least annually) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer;

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

There had not been any Nomination Committee meeting held during the period from the Listing Date to 31 March 2018. From 1 April 2018 and to the date of this annual report, one Nomination Committee meeting was held and all the members of the Nomination Committee were present at the meeting and the major works performed are as follows:

- Reviewing the structure, size and composition of the Board;
- Assessing the independence of the independent non-executive Directors of the Company;
- Reviewing and making recommendations to the Board on the re-appointment of Directors who are subject to retirement from office by rotation at the forthcoming annual general meeting of the Company.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each of the Directors at the Board meetings, and meetings of the committees from the Listing Date to 31 March 2018 is set out as follows:

Name of Directors	Board Meeting	Audit Committee Meeting
Executive Directors		
Mr. Lai Tse Ming *(Chairman)*	1/1	1/1
Mr. Gao Weilong *(Chief Executive Officer)*	1/1	1/1
Mr. Teng Feng	1/1	1/1
Mr. Yu Kin Keung	1/1	1/1
Mr. Lyu Huiheng	1/1	1/1
Independent Non-executive Directors		
Dr. He Tianxiang	1/1	1/1
Dr. Wong Kwok Yan	1/1	1/1
Mr. Hung Muk Ming	1/1	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee, the senior managements, functional departments and business units managements as well as risk management personnel. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the senior managements identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Response plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to provide internal audit services to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems and the internal audit function performed by independent professional advisor are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for preparing the consolidated financial statements. In preparation for the consolidated financial statements, the Board adopted the Hong Kong Financial Reporting Standards, applied appropriate accounting policies, and make reasonable and prudent judgments and estimates.

The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

The responsibility of an external auditor to report on the consolidated financial statements of the Company is set out under the section headed "INDEPENDENT AUDITOR'S REPORT" of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit and non-audit services provided to the Group during the year ended 31 March 2018 was analysed below:

Services Category	Fees paid/payable RMB
Audit services	
— audit services on 2018 annual financial statements	2,080,780
— preliminary review of annual results announcement for the year ended 31 March 2018	16,026
— audit services on 2018 continuing connected transactions	4,007
— related to the Listing	2,737,200
Non-audit services	
— Risk management consulting, internal control review and Environmental, Social and Governance report consulting services for the year of 2018	200,325
— related to the Listing	390,161
	5,428,499

COMPANY SECRETARY

Mr. Pang Chun Yip has been appointed as the Company Secretary of the Company since May 2017. He is also the finance manager of the Company. Mr. Pang is a member of the Hong Kong Institute of Certified Public Accountants. He fulfills the requirements under Rules 3.28 and 3.29 of the Listing Rules.

The Company Secretary is responsible for providing secretarial services to the Board and ensuring the operation of the Company is properly complied with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. Company Secretary is also the secretary of each of Board committees. Minutes of Board meetings and meetings of all Board committees are kept by the Company Secretary and are available for inspection by the Directors at all times.

During the year ended 31 March 2018, Mr. Pang has taken no less than 15 hours of relevant professional training in compliance with rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Extraordinary general meetings may be convened by Directors on requisition of one or more shareholders holding, at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Company Secretary by mail to 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requestor(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requestor(s) as a result of the failure of the Board shall be reimbursed to the requestor(s) by the Company.

Shareholders who propose new resolutions at the general meetings can also follow the above procedures.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong (marked for the attention of the Company Secretary)
Email: dennis.pang@ibotech.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Pursuant to written resolutions of the then shareholders passed on 6 December 2017, the existing Memorandum and Articles of Association of the Company were adopted.

During the period from the Listing Date to 31 March 2018, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the website of the Company at **www.ibotech.hk** and the website of the Stock Exchange at **www.hkex.com.hk**.

Deloitte. 德勤

TO THE SHAREHOLDERS OF IBO TECHNOLOGY COMPANY LIMITED
艾伯科技股份有限公司
(FORMERLY KNOWN AS CHINA SECURITY CONTROL COMPANY LIMITED
中國安控股份有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IBO Technology Company Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 58 to 103, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Contract revenue and amounts due from customers for contract works of provision of coordination, management and installation services of smart cities	
We identified the contract revenue and amounts due from customers for contract works of provision of coordination, management and installation services of smart cities a key audit matter due to significant estimation involved in estimating the stage of completion of the projects. As disclosed in note 4 to the consolidated financial statements, the management estimates stage of completion with reference to the completion status certifications, management's past experience and other evidences, the actual stage of completion may be different from the estimates and this will affect the revenue and thus profit recognised. As disclosed in note 4 to the consolidated financial statements, during the year ended 31 March 2018, the Group recognised contract revenue related to provision of coordination, management and installation services of smart cities amounting to approximately RMB92,448,000. The carrying amount of amounts due from customers for contract works amounted to RMB2,199,000 as at 31 March 2018.	Our procedures in relation to contract revenue and amounts due from customers for contract works of provision of coordination, management and installation services of smart cities included: • Understanding management's process in estimating the contract revenue, total contract costs and determining the stage of completion of construction activities; • Agreeing the total contract value to the contracts on a sample basis; • Evaluating the reasonableness of the estimated total contract costs, including (i) for subcontracting costs contracted for, agreeing the budgeted costs to the underlying contracts; (ii) for estimation of costs not supported by contracts, checking that the costs are built in accordance with the quotations; and (iii) comparing the budgeted data with the actual data recorded; • Evaluating the reasonableness of contract revenue recognised by (i) checking to the evidence supporting stage of completion including completion status certificates and customer's correspondences, on a sample basis; and (ii) discussing with the project managers of the Group to understand the status of respective contracts, on a sample basis; • Evaluating the reasonableness of percentage of completion of the contracts by comparing the percentage calculated based on completion status certificates against that calculated based on costs incurred up to date, and investigating any significant differences identified; and • Assessing the appropriateness of the basis of deriving the amounts due from customers for contract works by checking, on a sample basis, to the amount of costs recorded in the subcontractor payment certificates and supplier invoices, and progress billings to the completion status certificates issued by the customers.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade and retention receivables	
We identified the recoverability of trade and retention receivables as a key audit matter due to the use of judgment and estimates by the management in assessing the recoverability of trade and retention receivables. As set out in note 4 to the consolidated financial statements, in assessing the recoverability of the Group's trade and retention receivables, the management takes into consideration the ageing analysis, debtors' repayment history and subsequent settlements. As disclosed in note 18 to the consolidated financial statements, the carrying amounts of trade and retention receivables amounting to RMB103,549,000 were recorded in the consolidated statement of financial position at 31 March 2018. No impairment losses have been recognised in respect of the above balances.	Our procedures in relation to recoverability of trade and retention receivables included: • Understanding the management's process in assessing the recoverability of trade and retention receivables; • Assessing the accuracy of the ageing analysis of trade and retention receivables by checking to the original invoices issued by the Group to the customers, on a sample basis; • Assessing the reasonableness of recoverability of trade and retention receivables with reference to the ageing analysis, repayment history and subsequent settlements of each individual debtor, on a sample basis; • Tracing debtors' repayment during the year and subsequent settlements to supporting documents including bank records, on a sample basis; and • Interviewing debtors, on a sample basis, to confirm any circumstances leading to delay in payments, their business relationship with the Group, settlement status and any committed timetable and plans for settlement.

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	*5*	**212,700**	103,893
Cost of sales and services rendered		**(126,480)**	(50,313)
Gross profit		**86,220**	53,580
Other income	*6*	**5,522**	3,715
Other expenses		**(2,552)**	(77)
Other gains and losses	*7*	**(4,032)**	241
Distribution and selling expenses		**(1,698)**	(1,055)
Administrative expenses		**(15,719)**	(7,826)
Finance costs	*8*	**(1,868)**	(2,770)
Research and development expenses		**(2,005)**	(544)
Listing expenses		**(15,431)**	(6,984)
Profit before taxation		**48,437**	38,280
Income tax expense	*9*	**(12,961)**	(8,835)
Profit and total comprehensive income for the year	*10*	**35,476**	29,445
Profit and total comprehensive income for the year attributable to			
— Owners of the Company		**35,476**	29,445
— Non-controlling interests		**–**	–
		35,476	29,445
Earning per share			
— Basic (RMB cents)		**10.89**	9.82
— Diluted (RMB cents)		**10.89**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**3,947**	3,894
Investment properties	*16*	**19,360**	19,200
Rental deposits		**994**	–
		24,301	23,094
Current assets			
Inventories	*17*	**1,245**	1,635
Trade and other receivables	*18*	**183,259**	67,013
Amounts due from customers for contract works	*19*	**2,199**	4,266
Amount due from a director	*20*	**–**	15,980
Amount due from a related company	*20*	**–**	115
Bank balances and cash	*21*	**82,719**	31,568
		269,422	120,577
Current liabilities			
Trade and other payables	*22*	**57,466**	15,379
Amount due to a director	*20*	**–**	17,519
Tax payables		**9,373**	5,061
Bank borrowings	*23*	**6,500**	35,600
		73,339	73,559
Net current assets		**196,083**	47,018
Total assets less current liabilities		**220,384**	70,112
Non-current liability			
Deferred tax liabilities	*24*	**6,065**	4,699
Net Assets		**214,319**	65,413
Capital and reserves			
Share capital	*25*	**3,349**	1
Reserves		**210,970**	65,412
Equity attributable to owners of the Company		**214,319**	65,413
Non-controlling interests		**–**	–
Total Equity		**214,319**	65,413

The consolidated financial statements on pages 58 to 103 were approved and authorised for issue by the board of directors on 20 June 2018 and are signed on its behalf by:

Mr. Lai Tse Ming
DIRECTOR

Mr. Gao Weilong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 *(Note 1)*	Statutory surplus reserve RMB'000 *(Note 2)*	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2016	4,759	–	–	5,583	61,307	71,649	–	71,649
Effect of group reorganisation	(4,758)	48,083	(43,325)	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	29,445	29,445	–	29,445
Transfer	–	–	–	3,000	(3,000)	–	–	–
Dividend recognised as distribution *(note 13)*	–	–	–	–	(35,681)	(35,681)	–	(35,681)
At 31 March 2017	**1**	**48,083**	**(43,325)**	**8,583**	**52,071**	**65,413**	**–**	**65,413**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**35,476**	**35,476**	**–**	**35,476**
Transfer	**–**	**–**	**–**	**5,800**	**(5,800)**	**–**	**–**	**–**
Capitalisation issue *(note 25)*	**2,511**	**(2,511)**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of new shares *(note 25)*	**837**	**123,651**	**–**	**–**	**–**	**124,488**	**–**	**124,488**
Transaction costs attributable to issue of new shares	**–**	**(11,058)**	**–**	**–**	**–**	**(11,058)**	**–**	**(11,058)**
At 31 March 2018	**3,349**	**158,165**	**(43,325)**	**14,383**	**81,747**	**214,319**	**–**	**214,319**

Notes:

1. Merger reserve represented the difference between the share capital of Abacus International Group Company Limited ("**Abacus**") (formerly known as Abacus Network Company Limited), which was transferred from Shine Well Holdings Limited ("**Shine Well**"), an immediate and ultimate holding company of the Company to IBO Holdings Limited ("**IBO Holdings**") pursuant to the Reorganisation, as defined and detailed in note 1, and share capital and share premium of IBO Holdings.

2. As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China ("**PRC**"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of at least 10% of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	48,437	38,280
Adjustments for:		
Change in fair value of investment properties	(160)	(1,470)
Depreciation of property, plant and equipment	917	937
Interest income	(23)	(1,179)
Finance costs	1,868	2,770
Operating cash flows before movements in working capital	51,039	39,338
Decrease in amount due from a related company	–	8,005
Decrease in inventories	390	523
Increase in trade and other receivables	(118,993)	(24,821)
Decrease (increase) in amounts due from customer for contract works	2,067	(4,266)
Increase in trade and other payables	42,452	5,058
Cash (used in) generated from operations	(23,045)	23,837
Income tax paid	(7,283)	(4,497)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(30,328)	19,340
INVESTING ACTIVITIES		
Advances to a director	(112,309)	(73,038)
Purchase of property, plant and equipment	(970)	(285)
Advance to a related company	(130)	(1,277)
Repayment from a director	128,289	116,653
Repayment from a related company	245	4,539
Interest received	23	1,179
Withdrawal of pledged bank deposit	–	13,000
NET CASH FROM INVESTING ACTIVITIES	15,148	60,771
FINANCING ACTIVITIES		
Repayments of bank borrowings	(39,900)	(70,900)
Repayment to a director	(19,602)	(1,036)
Issue costs paid	(9,670)	(1,311)
Interest paid	(1,868)	(2,770)
Proceeds from issue of shares	124,488	–
Proceeds from bank borrowings	10,800	50,000
Loan from a director	2,083	8,845
Dividends paid	–	(35,681)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	66,331	(52,853)
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,151	27,258
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31,568	4,310
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	82,719	31,568

1. GENERAL AND BASIS OF PRESENTATION

IBO Technology Company Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 15 April 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with the name of China Security Control Company Limited. Pursuant to a special resolution of the Company dated 15 June 2017, the name of the Company was changed from China Security Control Company Limited to IBO Technology Company Limited. The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2017 (the "**Listing**"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong respectively. Its immediate and ultimate holding company is Shine Well. The ultimate controlling shareholder of the Group is Mr. Lai Tse Ming, who is also an executive director of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in sale of Radio Frequency Identification ("**RFID**") equipment and electronic products (collectively the "**intelligent terminal products**"), provision of system maintenance services, development of customised softwares and provision of coordination, management and installation services of smart cities, as well as collection, process and storage of data, text and graphics.

The companies now comprising the Group underwent a series of reorganisation (the "**Reorganisation**"). Prior to the Reorganisation, the entire equity interest of Abacus and its subsidiaries, 艾伯資訊(深圳)有限公司 (IBO Information (Shenzhen) Limited) ("**IBO**"), Cyber Sharp Limited ("**Cyber Sharp**"), 深圳市國桐智能科技有限公司 (Shenzhen Guotong Intelligence Technologies Limited) ("**Guotong**"), 博海智能科技(深圳)有限公司 (Bohai Intelligence Technologies (Shenzhen) Limited) ("**Shenzhen Bohai**") and 深圳市艾伯數字技術有限公司 (IBO Shenzhen Digital Technology Limited) ("**IBO Digital**") were held by Shine Well, a company wholly-owned by Mr. Lai Tse Ming. Pursuant to the Reorganisation, which was completed by interspersing the Company and IBO Holdings between Shine Well and Abacus, which is achieved by the allotment of 99,999 shares of the Company to Shine Well, the Company became the holding company of the companies now comprising the Group on 29 June 2016. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the years ended 31 March 2017, had been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended, or since their respective dates of incorporation or establishment, where it is a shorter period.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has consistently applied all amendments to HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2017.

New and revised HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the amount of impairment loss to be recognised by the Group would not be significantly different as compared to the amount estimated under HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 *Revenue from Contracts with Customers*

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

With regard to the coordination, management and installation services contracts of smart cities, the directors of the Company specifically consider HKFRS 15's guidance on contract combinations, variable consideration, and significant financing component in the contracts. The directors of the Company have assessed that the coordination, management and installation services provide a distinct and significant integration service for smart cities which are considered a single performance obligation. In addition, the directors of the Company have assessed that the performance obligation on the contracts is satisfied over time as the Company provides services on customers' sites which creates an asset that the customers control. As a result, revenue from these construction contracts should be recognised over time during the course of performance of construction service. Furthermore, the directors of the Company currently measure the stage of completion by reference to the completion status certificates issued by customers. The directors of the Company consider such method is similar to the output method in measuring. The progress towards complete satisfaction of performance obligation and hence will continue to be appropriate under HKFRS 15.

The directors of the Company have assessed the revenue from development of customised softwares, for which these performance obligations are satisfied over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The directors of the Company currently measure the stage of completion in accordance with the cost incurred up to date to the total budgeted cost the directors of the Company consider such method is similar to input method in measuring the progress towards complete satisfaction of performance obligation and hence will continue to be appropriate under HKFRS 15.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

The directors of the Company intend to apply the limited retrospective method of transition to HKFRS 15. Apart from providing more extensive disclosure on the Company's revenue transactions, the directors do not anticipate that the application of HKFRS 15 will have a significant impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast of lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of RMB6,136,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1,075,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;

- is exposed, or has rights to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates and other similar allowance.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Commission income is recognised as the services are provided.

System maintenance service income is recognised on a straight-line basis over the terms of the relevant contract.

The Group's accounting policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion that the value of work carried out during the year for income from provision of coordination, management and installation services of smart cities and by the proportion of total cost of providing the services for service fees related to development of customised softwares, except where these would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those asset, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director, amount due from a related company and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised costs, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to a director and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and further periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment property portfolios and concluded that the Group's investment properties in PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. As a result, the management of the Group has determined that the presumption that investment properties measured using the fair values model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated outcome of coordination, management and installation services contracts of smart cities

The Group recognises contract revenue of coordination, management and installation services contracts of smart cities and the resultant amounts due from customers for contract works by reference to the stage of completion of the projects. The management estimates stage of completion with reference to the completion status certifications, management's past experience and other evidences. Notwithstanding that the management of the Company frequently review and revise the estimates of contract revenue for the coordination, management and installation services contract of smart cities as the contract progresses, the actual stage of completion of the contract may be different from the estimates and this will affect the revenue and thus profit recognised.

The contract revenue related to provision of coordination, management and installation services of smart cities amounting to RMB992,448,000 (2017: RMB41,538,000) were recognised during the year ended 31 March 2018. The carrying amounts of amounts due from customers for contract works of the Group were RMB2,199,000 (2017: RMB4,266,000) as at 31 March 2018.

Estimated impairment of trade and retention receivables

The management of the Group estimates the recoverability of trade and retention receivables at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the ageing analysis of the trade and retention receivable balances, debtors' repayment history and subsequent settlements. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 March 2018, the carrying amounts of trade and retention receivables of the Group were RMB103,549,000 (2017: RMB53,604,000).

Net realisable value of inventories

The management of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management of the Group estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 March 2018 and 2017, the carrying values of inventories were RMB1,245,000 and RMB1,635,000, respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sale of intelligent terminal products, provision of coordination, management and installation services of smart cities, provision of system maintenance services and development of customised softwares during the year.

The Group's operating segments are determined based on information reported to Mr. Lai Tse Ming, being the chief operating decision maker ("**CODM**") of the Group for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments are as follow:

(i) Intelligent terminal products sales segment — sales of intelligent terminal products;

(ii) System integration segment — provision of tailor-made system solutions applying internet of things ("**IoT**") technologies of smart cities by provision of coordination, management and installation services, sale of intelligent terminal products as well as development of customised softwares;

(iii) Software development segment — development of customised softwares; and

(iv) System maintenance services segment — provision of system maintenance services.

The CODM considers the Group has four reportable and operating segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Intelligent terminal products sales RMB'000	System integration RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
For the year ended 31 March 2018					
REVENUE					
External sales	97,736	95,242	8,723	10,999	212,700
SEGMENT PROFIT	45,837	28,744	6,853	4,786	86,220
Unallocated income					5,522
Unallocated expenses					(21,974)
Finance costs					(1,868)
Listing expenses					(15,431)
Unallocated other gains and losses					(4,032)
Profit before taxation					48,437

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Intelligent terminal products sales RMB'000	System integration RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
For the year ended 31 March 2017					
REVENUE					
External sales	34,301	41,538	21,511	6,543	103,893
SEGMENT PROFIT	19,359	15,847	16,917	1,457	53,580
Unallocated income					3,715
Unallocated expenses					(9,502)
Finance costs					(2,770)
Listing expenses					(6,984)
Unallocated other gains and losses					241
Profit before taxation					38,280

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before taxation earned by each segment without allocation of other income, other expenses, other gains and losses, distribution and selling expenses, administrative expenses, finance costs, listing expenses and research and development expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

No segment assets and liabilities information is provided as no such information is regularly provided to the CODM of the Group on making decision for resources allocation and performance assessment.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2018 RMB'000	2017 RMB'000
Provision of coordination, management and installation services of smart cities	92,448	41,538
Sales of intelligent terminal products	99,671	34,264
Provision of system maintenance services	10,999	6,543
Development of customised softwares	9,582	21,548
	212,700	103,893

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Information about major customers

Revenue from customers during the year individually contributing over 10% of the Group's revenue is as follows:

	2018 RMB'000	2017 RMB'000
Customer A[1&3]	66,857	13,965
Customer B[2]	29,200	–
Customer C[1]	27,148	19,709
Customer D[2]	31,946	41,538

1 Revenue from intelligent terminal products sales segment
2 Revenue from provision of system integration segment
3 Revenue from software development segment

6. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income		
— from bank deposits	23	144
— from amount due from a director	–	1,035
Rental income	490	576
Government grants *(Note)*	4,673	1,928
Commission income	188	32
Others	148	–
	5,522	3,715

Note: Government grants represented unconditional grants in relation to sale of qualifying technological products granted by the local government to IBO.

7. OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Change in fair value of investment properties	160	1,470
Net exchange loss	(4,192)	(1,229)
	(4,032)	241

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings	1,868	2,770

9. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	10,245	6,711
Withholding tax	1,350	–
	11,595	6,711
Deferred tax *(note 24)*	1,366	2,124
	12,961	8,835

Hong Kong

No provision for Hong Kong Profits Tax was made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the year (2017: nil).

PRC

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "**PRC EIT Law**"), the statutory tax rate of PRC subsidiaries is 25% during the year.

In August 2013, IBO was granted the High and New Technology Enterprise ("**HNTE**") by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality (the "**Shenzhen Local Taxation Administrator**") and Shenzhen Municipal office of the State Administration of Taxation, which was renewed in November 2016, pursuant to the release of new regulation with effect from 1 January 2016 and therefore is entitled to preferential tax rate of 15% from 2013 to 2018 in accordance to the PRC EIT Law.

During the year, no provision of EIT for Guotong, Shenzhen Bohai and IBO Digital have been made as no assessable income arises in, nor is derived from the PRC during the year (2017: nil).

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	48,437	38,280
Tax at the applicable tax rate of 15%	7,266	5,742
Tax effect of expenses not deductible for tax purposes	3,556	1,438
Additional tax benefit on research and development expenses *(Note)*	(537)	(248)
Deferred tax on undistributed earnings of PRC subsidiaries	2,676	1,903
	12,961	8,835

Note: Pursuant to the relevant tax rules and regulations, the Group could obtain additional tax benefit, which is a further 50% of certain qualified research and development cost incurred endorsed by the Shenzhen Local Taxation Administrator.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year has been arrived at after charging:

	2018 RMB'000	2017 RMB'000
Directors' remuneration:		
— Fees	623	–
— Salaries and other allowances	1,465	1,376
— Retirement benefit scheme contributions	168	44
Other staff costs:		
— Salaries and other allowances	11,840	10,892
— Retirement benefit scheme contributions	1,167	1,085
Total staff costs	15,263	13,397
Auditor's remuneration	2,101	12
Surcharges on overdue payments to governmental authorities and compensation expenses	498	77
Depreciation of property, plant and equipment	917	937
Capitalised in inventories	(539)	(712)
	378	225
Cost of inventories recognised as an expense (included in cost of sales and services rendered)	116,960	38,905
Gross rental income from investment properties, net of direct operating expenses incurred for investment properties	490	576
Minimum operating lease rental expense in respect of rented premises	2,966	1,886

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the year are as follows:

	Date of appointment as a director of the Company	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 March 2018					
Executive directors:					
Mr. Lai Tse Ming	15 April 2016	**241**	**381**	**11**	**633**
Mr. Gao Weilong *(Note)*	2 May 2017	**73**	**276**	**70**	**419**
Mr. Teng Feng	2 May 2017	**73**	**324**	**72**	**469**
Mr. Yu Kin Keung	2 May 2017	**73**	**484**	**15**	**572**
Mr. Lyu Huiheng	2 May 2017	**73**	**–**	**–**	**73**
Independent non-executive directors:					
Dr. He Tianxiang	6 December 2017	**30**	**–**	**–**	**30**
Dr. Wong Kwok Yan	6 December 2017	**30**	**–**	**–**	**30**
Mr. Hung Muk Ming	6 December 2017	**30**	**–**	**–**	**30**
Total		**623**	**1,465**	**168**	**2,256**

	Date of appointment as a director of the Company	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 March 2017					
Executive directors:					
Mr. Lai Tse Ming	15 April 2016	–	180	–	180
Mr. Gao Weilong *(Note)*	2 May 2017	–	320	13	333
Mr. Teng Feng	2 May 2017	–	368	15	383
Mr. Yu Kin Keung	2 May 2017	–	508	16	524
Total		–	1,376	44	1,420

Note: Mr. Gao Weilong is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the year, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company waived or agreed to waive any emolument during the year.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include 4 directors (2017: 3 directors) of the Company, details of whose emoluments are set out in note 11 above. Details of the emoluments for the year of the remaining 1 (2017: 2) highest paid employees who are neither director nor chief executive of the Company are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other allowances	**324**	589
Retirement benefit scheme contributions	**72**	25
	396	614

The emoluments of the employees were within the following bands:

	2018 **Number of employee**	2017 Number of employees
Nil to Hong Kong Dollar ("**HK$**") 1,000,000	**1**	2

During the year, no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor had any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share	**35,476**	29,445

	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis earnings per share	**325,753**	300,000
Effect of dilutive potential ordinary share:		
Over-allotment options	**122**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**325,875**	300,000

The number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 March 2018 and 2017 has been determined on the assumption that the Group Reorganisation had been effective on 1 April 2016.

No diluted earnings per share was presented for the year ended 31 March 2017 as there were no potential ordinary shares in issue during the year ended 31 March 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
COST					
At 1 April 2016	741	352	910	8,493	10,496
Additions	–	–	–	285	285
At 31 March 2017	741	352	910	8,778	10,781
Additions	–	–	853	117	970
At 31 March 2018	**741**	**352**	**1,763**	**8,895**	**11,751**
DEPRECIATION					
At 1 April 2016	647	328	760	4,215	5,950
Provided for the year	53	5	37	842	937
At 31 March 2017	700	333	797	5,057	6,887
Provided for the year	23	–	44	850	917
At 31 March 2018	**723**	**333**	**841**	**5,907**	**7,804**
CARRYING VALUES					
At 31 March 2018	**18**	**19**	**922**	**2,988**	**3,947**
At 31 March 2017	41	19	113	3,721	3,894

The above items of property, plant and equipment are depreciated, taking into account their estimated residual values, on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the term of the relevant lease, or 5 years whichever is shorter
Furniture and fixtures	Over 5 years
Motor vehicles	Over 5–10 years
Office equipment	Over 5–10 years

16. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 April 2016	17,730
Gain on fair value change recognised in profit or loss	1,470
At 31 March 2017	19,200
Gain on fair value change recognised in profit or loss	160
At 31 March 2018	19,360

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties situated on land in the PRC as at 31 March 2018 and 2017 have been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuer not connected to the Group. The office of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is located on 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value was determined based on direct comparison approach for the buildings. The approach uses prices generated by market transactions involving comparable properties.

One of the key inputs used in valuing the buildings was the price per square meter, which ranged from RMB26,000 to RMB28,000 as at 31 March 2018 (2017: RMB26,000 to RMB27,000) respectively. Higher price per square meter used would result in a higher fair value of the respective buildings and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

	Fair value hierarchy	2018 RMB'000	2017 RMB'000
Commercial property units located in Shenzhen, the PRC	Level 3	19,360	19,200

There were no transfers into or out of Level 3 during the year.

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

17. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	363	687
Finished goods	882	948
	1,245	1,635

18. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	102,100	53,265
Retention receivables	1,449	339
Other receivables	2,815	1,298
VAT recoverable	2,826	1,632
Prepayments	73,988	8,163
Deferred listing expenses	–	1,753
Rental deposit	81	563
Total trade and other receivables	183,259	67,013

The Group allows credit period ranging from 30 days to 180 days which are agreed with each of its trade customers. Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, normally within 1 year from the date of the completion of the respective project.

The following is an aged analysis of trade and retention receivables presented based on date of delivering of goods/payment certificates/invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2018 RMB'000	2017 RMB'000
0–30 days	26,226	7,673
31–90 days	8,395	7,496
91–180 days	17,775	36,616
181–365 days	29,401	342
Over 365 days	21,752	1,477
	103,549	53,604

18. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the Group's trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balances as at 31 March 2018 are debtors with aggregate carrying amounts of RMB51,153,000 (2017: RMB1,819,000), which were past due as at the reporting date for which the Group has not provided for impairment loss as the Group considered such balances could be recovered by taking into consideration the ageing of the trade and retention receivables balances, debtors' repayment history, and subsequent settlements. The Group does not hold any collateral over these balances.

Included in the trade receivables overdue are balances mainly arising from Xinjiang Intelligent Traffic Control Project amounting to approximately RMB49,909,000 (2017: Nil). These trade receivables are due from local government related bodies and despite the lack of track record, management consider that these customers have solid financial background.

Ageing of trade receivables which are past due but not impaired based on date of payment certificates:

	2018 **RMB'000**	2017 RMB'000
181–365 days	**29,401**	342
Over 365 days	**21,752**	1,477
	51,153	1,819

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2018 **RMB'000**	2017 RMB'000
Contract costs incurred to date	**95,493**	31,062
Add: Recognised profits less recognised losses	**48,600**	19,856
	144,093	50,918
Less: Progress billings	**(141,894)**	(46,652)
	2,199	4,266

20. AMOUNTS DUE FROM (TO) A DIRECTOR/A RELATED COMPANY

Amount due from a director

			Maximum amount outstanding during the year ended 31 March	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Name of director				
Mr. Lai Tse Ming	**–**	15,980	**41,344**	60,112

The amount was non-trade nature, unsecured, non-interest bearing and repayable on demand. The amount was fully settled during the year ended 31 March 2018.

Amount due from a related company

			Maximum amount outstanding during the year ended 31 March	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Name of related company				
Shine Well	**–**	115	**115**	115

The amount due from a related company, which is controlled by Mr. Lai Tse Ming, was non-trade nature, unsecured, non-interest bearing and repayable on demand. The amount was fully settled during the year ended 31 March 2018.

Amount due to a director

	2018	2017
	RMB'000	RMB'000
Name of director		
Mr. Lai Tse Ming	**–**	17,519

The amount was non-trade nature, unsecured, non-interest bearing and repayable on demand. The amount was fully settled during the year ended 31 March 2018.

21. BANK BALANCES AND CASH

Bank balances and cash

Bank balances and cash comprise cash on hand and bank balances. Bank balances carried interest at prevailing market interest rates which were ranging from 0.01% to 0.8% (2017: 0.01% per annum) as at 31 March 2018.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2018 **RMB'000**	2017 RMB'000
HK$	**60,310**	306

22. TRADE AND OTHER PAYABLES

	2018 **RMB'000**	2017 RMB'000
Trade payables	**37,518**	5,779
Other payables and other accruals	**3,097**	1,505
Other tax payable	**13,695**	5,662
Accrued payroll expenses	**1,091**	802
Listing expenses payables	**2,065**	1,631
Total trade and other payables	**57,466**	15,379

The credit period on trade payables ranged from 30 days to 60 days.

The following is an aged analysis of trade payables presented based on the receipts of goods or services/payment certificates/invoice dates at end of each reporting period:

	2018 **RMB'000**	2017 RMB'000
0–30 days	**5,590**	3,260
61–90 days	**1,317**	–
Over 90 days	**30,611**	2,519
	37,518	5,779

23. BANK BORROWINGS

	2018 RMB'000	2017 RMB'000
Secured fixed rate bank borrowings	**6,500**	35,600

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2018	2017
Effective interest rate:		
Fixed-rate borrowings	**5.7% to 8.5%**	5.7% to 8.4%

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Revaluation of property RMB'000	Undistributed earnings of PRC entities RMB'000 *(Note)*	Total RMB'000
At 1 April 2016	1,701	874	2,575
Charge to profit or loss *(note 9)*	221	1,903	2,124
At 31 March 2017	1,922	2,777	4,699
Charge to profit or loss *(note 9)*	40	1,326	1,366
At 31 March 2018	**1,962**	**4,103**	**6,065**

Note: Under the EIT Law of the PRC, withholding tax are imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2018, deferred taxation has been provided for in the consolidated financial statements in respect of all temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to approximately RMB82,022,000 (2017: RMB55,496,000).

25. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 15 April 2016 (date of incorporation) and 31 March 2017	39,000,000	390
Increase during the year *(Note 1)*	961,000,000	9,610
At 31 March 2018	1,000,000,000	10,000

	Number of shares	Share capital HK$'000	Shown in the consolidated statement of financial position RMB'000
Issued:			
Issued on date of incorporation	1	–	–
Issued in consideration for the acquisition of the issued share capital of Abacus	99,999	1	1
At 31 March 2017	100,000	1	1
Capitalisation issue *(Note 2)*	299,900,000	2,999	2,511
Issue of new shares upon listing *(Note 3)*	100,000,000	1,000	837
At 31 March 2018	400,000,000	4,000	3,349

Other than the share allotments above, no other share transaction was undertaken by the Company from its incorporation to 31 March 2018.

Notes:

1. On 6 December 2017, the authorised share capital of the Company was increased by HK$9,610,000 divided into 961,000,000 ordinary shares of par value HK$0.01 each.

2. On 6 December 2017, a total of 299,900,000 ordinary shares were allotted and issued, credited as fully paid at par to the sole shareholder of the Company, by way of capitalisation of a sum of HK$2,999,000 standing to the credit of the share premium account of the Company.

3. During the year ended 31 March 2018, the Company issued 100,000,000 ordinary shares of par value HK$0.01 each pursuant to the Listing at the price of HK$1.50 per ordinary share.

The new shares rank pari passu with the existing shares in all respects.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that group companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 23, net of cash and cash equivalent, and equity attributable to owners of the Group.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as the issue of new debt or redemption of existing debt.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**189,083**	102,565
Financial liabilities		
Amortised cost	**48,867**	60,839

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount(s) due from (to) a director and a related company, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currency at the respective reporting date are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**60,505**	1,064	**(2,065)**	(17,481)

The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in HK$ against RMB as at 31 March 2018. 5% (2017: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end date for a 5% (2017: 5%) change in foreign currency rates. A 5% (2017: 5%) strengthen of the HK$ against RMB will increase (2017: decrease) post-tax profit for the year by the following amount. For 5% (2017: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit or loss.

	2018	2017
	RMB'000	RMB'000
HK$	**2,440**	(685)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amount due from a director and fixed-rate bank borrowings (see notes 20 and 23 for details of amount due from a director and bank borrowings). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

Sensitivity analysis

No sensitivity analysis is prepared as the directors of the Company consider that the impact of interest rate risk is insignificant.

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk are primarily attributable to its trade and other receivables and amount due from a director. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are stated-owned banks or banks with high credit-ratings assigned by international credit-rating agencies.

As at 31 March 2018, the Group has concentration of credit risk as 90.3% (2017: 80.7%) of the total trade receivables are due from the Group's five largest trade debtors, respectively. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk table

	Weighted average effective interest %	On demand or less than 1 month RMB'000	Within 1 to 3 months RMB'000	Within 3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 March 2018						
Trade and other payables	–	42,367	–	–	42,367	42,367
Fixed-rates bank borrowings	8.50	–	6,564	–	6,564	6,500
		42,367	6,564	–	48,931	48,867
31 March 2017						
Trade and other payables	–	7,720	–	–	7,720	7,720
Amount due to a director	–	17,519	–	–	17,519	17,519
Fixed-rates bank borrowings	6.43	–	–	37,029	37,029	35,600
		25,239	–	37,029	62,268	60,839

(c) Fair value measurements of financial statements

The fair values of financial assets and financial liabilities and determination in accordance with generally accepted pricing models based on discounted cash flow analysis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payables RMB'000	Accrued issue costs RMB'000	Bank borrowings RMB'000	Amount due to a director RMB'000	Total RMB'000
At 1 April 2016	–	–	56,500	9,710	66,210
Financing cash flow *(Note)*	(35,681)	(1,311)	(23,670)	7,809	(52,853)
Finance cost recognised/issue costs accrued	–	1,753	2,770	–	4,523
Dividend recognised as distribution	35,681	–	–	–	35,681
At 31 March 2017	–	442	35,600	17,519	53,561
Financing cash flow *(Note)*	–	(9,670)	(30,968)	(17,519)	(58,157)
Finance cost recognised/issue costs accrued	–	9,305	1,868	–	11,173
At 31 March 2018	**–**	**77**	**6,500**	**–**	**6,577**

Note: The cash flows represent (i) the proceeds from and repayment of bank borrowings and related interest paid, (ii) the proceeds from and repayment of amount due to a director, (iii) payment of dividends and (iv) payment of issue costs in the consolidated statement of cash flows.

29. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follow:

	2018 RMB'000	2017 RMB'000
Within one year	**3,250**	2,793
In the second year to fifth year inclusive	**2,886**	61
	6,136	2,854

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated with fixed lease term for 1 to 2 years.

29. OPERATING LEASES (Continued)

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	408	437
In the second year to fifth year inclusive	–	118
	408	555

All of the properties leased out have committed tenants with fixed rent and lease term range from 1 to 2 years without termination options granted to tenants.

30. SHARE OPTION SCHEME

On 6 December 2017, the Company conditionally adopted a share option scheme (the "**Scheme**") pursuant to a resolution passed by its shareholders on 6 December 2017, for the primary purpose of providing incentives or rewards to eligible employees (including the executive, non-executive and independent non-executive directors of the Company) and other selected participants. The adoption of the Scheme became unconditional upon the listing of the Company on 6 December 2017.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of shares in issue on the date of listing on the Stock Exchange, without prior approval from the Company's shareholders. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of the Securities on the Stock Exchange, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the shareholders' approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the relevant class of securities of the Company in issue and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

30. SHARE OPTION SCHEME (Continued)

Options granted must be taken up within 28 days of the date of the offer grant. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

During the year ended 31 March 2018, no share option has been granted. The scheme will remain in force for a period of 10 years commencing on the date on which the scheme is adopted.

31. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiaries situated in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. The Group also operates a MPF scheme for all qualified employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each qualified to make contributions to the Scheme at rate at the lower of HK$1,500 per month or 5% of relevant payroll costs each month.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to RMB1,335,000 (2017: RMB1,129,000) for the year ended 31 March 2018.

32. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in note 20.

(b) Related party transactions

During the year, the Group entered into the following transactions with related companies, which are controlled by Mr. Lai Tse Ming, the Controlling Shareholder.

	2018 RMB'000	2017 RMB'000
Rental income from 深圳市文武税務師事務所有限責任公司	–	11
Interest income from Mr. Lai	–	1,035

(c) Guarantee

As at 31 March 2017, the Group's bank facilities amounting to RMB35,600,000 were personally guaranteed by Mr. Lai Tse Ming, the Controlling Shareholder and his close family member and/or secured by assets of them (without charging any guarantee fee). The personal guarantees were subsequently released during the year ended 31 March 2018.

(d) Compensation of key management personnel

The remuneration of key management personnel which represents the directors of the Company and key executives of the Group during the year was as follows:

	2018 RMB'000	2017 RMB'000
Fees	550	–
Salaries and other allowances	2,308	2,298
Retirement benefit scheme contributions	337	81
	3,195	2,379

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

33. PARTICULARS OF SUBSIDIARIES

Name of subsidiaries	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2018	2017	Principal activities
IBO Holdings*	13 May 2016 British Virgin Islands	United States dollar 1	**100%**	100%	Investment holding
Abacus	17 April 2000 Hong Kong	HK$6,000,000	**100%**	100%	Sales of intelligent terminal products, provision of system maintenance services and development of customised softwares
IBO	13 December 2000 The PRC**	HK$28,000,000	**100%**	100%	Sales of intelligent terminal products, provision of coordination, management and installation services of smart city, provision of system maintenance services and development of customised softwares
Cyber Sharp	30 June 2016 Hong Kong	HK$1	**100%**	100%	Investment holding
Guotong	4 August 2015 The PRC***	RMB1,000,000##	**51%**	51%	Inactive
Shenzhen Bohai	12 April 2016 The PRC***	RMB20,000,000@	**35%** *(Note)*	*35% (Note)*	Inactive
IBO Digital	1 November 2016 The PRC***	RMB20,000,000@	**100%**	100%	Collection, process and storage of data, text and graphics

* Directly held by the Company.

** IBO is a wholly foreign owned enterprise established in the PRC.

*** These companies are limited liability companies established in the PRC.

The registered capital of Guotong is RMB10 million but only RMB1 million was paid by the Group up to the date of the report.

@ The registered capital of IBO Digital and Shenzhen Bohai are RMB20 million respectively but nil were paid at the date of the report.

Note: Shenzhen Bohai is a subsidiary of the Group although the Group has 35% ownership interest and voting rights in Shenzhen Bohai. The directors of the Company assessed whether or not the Group has control over Shenzhen Bohai based on whether the Group has the practical ability to direct the relevant activities of Shenzhen Bohai unilaterally. Pursuant to an agreement signed between the Group and two shareholders of Shenzhen Bohai, the two shareholders of Shenzhen Bohai, who own 50% of shareholdings in Shenzhen Bohai on aggregate, agreed to follow the Group's decisions on matters associated the relevant activities of Shenzhen Bohai. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Shenzhen Bohai and therefore the Group has control over Shenzhen Bohai.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current asset		
Investment in a subsidiary	**125,409**	48,084
Current assets		
Other receivables	**–**	1,753
Bank balances and cash	**16,173**	–
	16,173	1,753
Current liabilities		
Other payables	**2,999**	1,663
Amount due to a director	**–**	83
Amounts due to subsidiaries	**2,197**	3,291
	5,196	5,037
Net current assets (liabilities)	**10,977**	(3,284)
Total assets less current liabilities	**136,386**	44,800
Capital and reserves		
Share capital	**3,349**	1
Reserves	**133,037**	44,799
Total equity	**136,386**	44,800

Movement in the Company's reserves:

	Share premium RMB'000	Merger reserve RMB'000 *(Note)*	Retained profits RMB'000	Total RMB'000
At 15 April 2016 (date of incorporation)	–	–	–	–
Effect of the group reorganisation	48,083	(43,325)	–	4,758
Profit and other comprehensive income for the period	–	–	40,041	40,041
At 31 March 2017	48,083	(43,325)	40,041	44,799
Loss and other comprehensive expense for the year	–	–	(21,844)	(21,844)
Capitalisation issue	(2,511)	–	–	(2,511)
Issue of new shares upon listing	123,651	–	–	123,651
Transaction costs attributable to issue of new shares	(11,058)	–	–	(11,058)
At 31 March 2018	158,165	(43,325)	18,197	133,037

Note: Merger reserve represented the difference between the share capital of Abacus, which was transferred from Shine Well to IBO Holdings pursuant to the Reorganisation, as defined and detailed in note 1, and share capital and share premium of IBO Holdings.

FOUR YEARS FINANCIAL SUMMARY

	Year ended 31 March			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**212,700**	103,893	56,934	29,132
Cost of sales and services rendered	**(126,480)**	(50,313)	(22,697)	(12,674)
Gross profit	**86,220**	53,580	34,237	16,458
Other income	**5,522**	3,715	8,127	8,220
Other expenses	**(2,552)**	(77)	(905)	(945)
Other gains and losses	**(4,032)**	241	3,166	3,292
Distribution and selling expenses	**(1,698)**	(1,055)	(858)	(737)
Administrative expenses	**(15,719)**	(7,826)	(6,230)	(6,988)
Finance costs	**(1,868)**	(2,770)	(4,892)	(5,460)
Research and development expenses	**(2,005)**	(544)	(796)	(1,426)
Listing expenses	**(15,431)**	(6,984)	–	–
Profit before taxation	**48,437**	38,280	31,849	12,414
Income tax expense	**(12,961)**	(8,835)	(6,973)	(2,697)
Profit and total comprehensive income for the year	**35,476**	29,445	24,876	9,717
Profit and total comprehensive income for the year attributable to				
— Owners of the Company	**35,476**	29,445	24,876	9,717
— Non-controlling interests	**–**	–	–	–
	35,476	29,445	24,876	9,717
ASSETS AND LIABILITIES				
Total assets	**293,723**	143,671	153,602	164,616
Total liabilities	**(79,404)**	(78,258)	(81,953)	(117,843)
Net assets	**214,319**	65,413	71,649	46,773
Total equity attributable to owners of the Company	**214,319**	65,413	71,649	46,773
Non-controlling interests	**–**	–	–	–
Total equity	**214,319**	65,413	71,649	46,773

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