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)
Stock Code : 2708

2018
INTERIM REPORT

CORPORATE PROFILE

IBO Technology Company Limited (Stock code: 2708) is a National High and New Technology Enterprise that focuses on providing comprehensive Internet of Things ("IoT") Radio Frequency Identification ("RFID") equipment and electronic products (collectively the "intelligent terminal products") applications and solutions services in the PRC. Established in April 2000, the Group offers customised products, applications and solutions made according to customers' specifications. The Group's businesses can be categorised into four segments, including (i) system integration; (ii) sales of intelligent terminal products; (iii) software development; and (iv) system maintenance services. The Group's major customers include governmental authorities, state-owned enterprises and private enterprises in the PRC. Leveraging its extensive experience in IoT technologies, applications and solutions accumulated over 10 years and its growing success in the area of city public safety management during recent years, the Group targets to expand its businesses into different sectors of the PRC "Smart City" market. "Smart City" is the materialising intelligent management and operation of cities via new generation information technologies such as IoT, cloud computing and big data for more convenient life of the people and encouraging the sustainable development of cities.

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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
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

COMPLIANCE ADVISER

Innovax Capital Limited
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178 Gloucester Road, Wanchai
Hong Kong

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Langshan Rd 13
Hi-Tech Industrial Park (North) Nanshan
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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COMPANY WEBSITE

www.ibotech.hk

STOCK CODE

2708

CONTACT INFORMATION

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CHAIRMAN'S STATEMENT

On behalf of the Board of the Company, I am pleased to announce that the unaudited interim results of the Group for the six months ended 30 September 2018 (the "**Period**"), together with the comparative figures for the six months ended 30 September 2017.

During the Period, the Group tapped into the upward development momentum of the IoT technology in the domestic IoT industry, especially opportunities arising from a growing demand for the RFID technology. Our efforts and commitments successfully yielded encouraging results. Among which, we witnessed an outstanding performance in sales of intelligent terminal products, significantly driving the overall revenue up by 95.8% to approximately RMB175.54 million year on year. Gross profit was approximately RMB56.64 million, representing a year-on-year increase of 86.7%, while profit attributable to the owners of the Company was approximately RMB23.06 million, representing a year-on-year increase of 1.3 times.

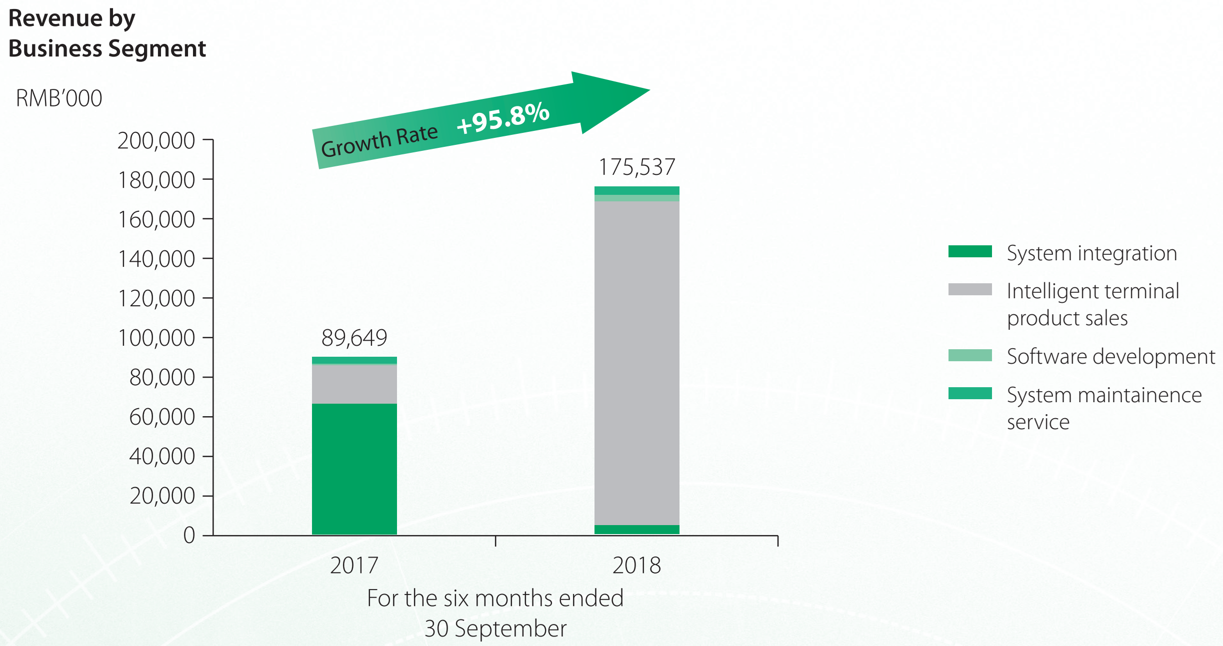
The Group believes that cutting-edge technology represents a key driver to sustain our business growth. As such, the Group continues to increase its investments in scientific research and introduce innovative products to the market to attract different customers and seize a larger market share. Successfully tapping into new markets during the Period, the Group provided a Guangdong-based company principally engaged in a campus security training and management with the integration system development for the "Security Control Platform System Projects for Primary and Secondary Schools in Guangdong Province". Furthermore, sales of intelligent terminal products also achieved success. To expand our revenue base, the Group aggressively explored new customers engaged in IoT and data services with high growth potential.

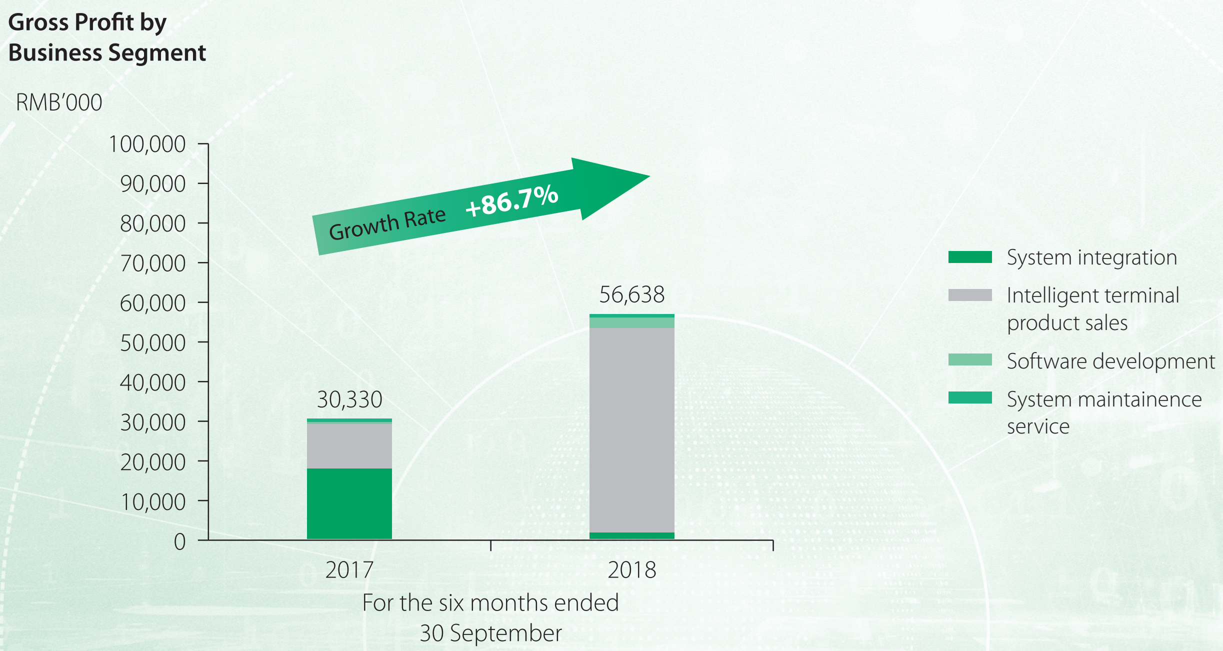
Supported and encouraged by National Development Plan for Strategic Emerging Sectors "the 13th Five-Year Plan Period", as well as the policies of various ministries and local governments, the IoT market in China has now exceeded RMB one trillion. According to the "2017-2018 Annual Report on the Development of Internet of Things in China" (2017–2018年中國物聯網發展年度報告) issued by China Economic Information Service in September 2018, expenses incurred from IoT platforms in China are expected to reach US$6.22 billion by 2021 at a CAGR of 13%, ranking first in the world. Being a high-tech enterprise recognized by the state, the Group will continue to follow through government policies by exploring the enormous potential of the urban public safety management market, increasing scientific research investments, and advancing research and development of anti-counterfeiting product traceability systems. Meanwhile, we will continue to diversify our product mix and application portfolio by centering on the research and development of artificial intelligence (AI), big data and intelligent software, which will provide our customers with a broader range of IoT and intelligent terminal products and comprehensive solutions. On the other hand, our strategic cooperation with well-known enterprises engaged in internet and e-commerce platforms will enable the Group to secure new business growth in the "Smart City" market segments with a high growth potential, such as smart wear, anti-counterfeiting product traceability, intelligent transportation and cloud platform services for urban public service administration Software-as-a-Service (SaaS). Furthermore, we will expand our customer base to diversify the revenue sources. By constantly identifying acquisition opportunities, the Group will enjoy diversity development and increase Shareholders' returns.

Finally, I would like to express my sincere gratitude to the Board, management team and all employees of the Company for their hard work during the first half of 2018. Success only favors those who boldly forge ahead. We will strive to provide 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, 29 November 2018

FINANCIAL HIGHLIGHTS





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 six months ended 30 September			
	2018 (Unaudited)		2017 (Unaudited)	
	RMB'000	**%**	RMB'000	%
System integration	**4,510**	**2.6**	65,901	73.5
Intelligent terminal products sales	**163,438**	**93.1**	19,367	21.6
Software development	**3,464**	**2.0**	761	0.8
System maintenance services	**4,125**	**2.3**	3,620	4.1
Total	**175,537**	**100.0**	89,649	100.0

System Integration

During the Period, affected by the cyclical business adjustment, coupled with a delay in implementation of some projects to the second half of the year, the Group recorded a revenue of approximately RMB4.51 million, representing a decrease of approximately 93.2% as compared with the corresponding period of last year, accounting for 2.6% of the Group's total revenue. Based on analysis and assessment of customers' needs, the Group provides comprehensive and tailor-made system solutions applying IoT and related 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.

During the Period, the Group's cooperation project included the design and construction of corresponding products and equipment for a Guangdong-based company principally engaged in a campus security training and management with "Security Control Platform System Projects for Primary and Secondary Schools in Guangdong Province", as well as related installation and commissioning services.

Intelligent Terminal Products Sales

During the Period, the Group was committed to developing, producing and selling customised IoT intelligent terminal products to its customers. In line with a growing demand for IoT products in China in recent years, the Group secured and supplied electronic products to new customers during this Period , thereby spurring a robust growth in the intelligent terminal products sales. As a result, the Group's revenue significantly increased by approximately 7.4 times year-on-year to approximately RMB163.44 million, and accounted for 93.1% of the Group's total revenue, thus representing a major growth engine of the Group. During the Period, the Group's major clients included (i) a Beijing-based technology company mainly engaged in IoT (to which the Group sold electronic products, including fiber optical transceivers, fiber interface boards, optical line termination and optical network unit, in addition to providing one year of maintenance services); (ii) a Beijing-based technology company (to which the Group sold electronic products, including RFID scanning devices, RFID Equipment Management Software, Integrated Video Supervisory and Control System Software, in addition to providing one year of maintenance services); and (iii) a Shanghai-based data service provider (to which the Group sold electronic products, including smart IC cards, RFID tags, RFID scanning equipment, equipment management software, active electronic tags, in addition to providing one year of maintenance services). Furthermore, major cooperation agreements were concluded with the related clients during the Period.

Software Development

During the Period, revenue from customised software application development services of the Group also recorded a satisfactory growth, representing a significant increase by approximately 3.6 times year-on-year to approximately RMB3.46 million and accounting for 2.0% of the Group's total revenue. In line with the business and management requirements of its customers, the Group planned and designed the software system framework and functions list alongside customized software application development services, for its customers. During the Period, its major projects and cooperation agreements included software developed for a Guangdong-based company engaged in campus security training and management for "Security Control Platform System Projects for Primary and Secondary Schools in Guangdong Province" referred to in the previous paragraph. As for this project, the Group was responsible for the six phases or processes involving software development, and its services included demand analysis, system structure design, coding and local configuration, local comprehensive testing, implementation and delivery, and provision of remote online assistance.

System Maintenance Services

During the Period, the Group provided 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, and revenue of the segment increased by approximately 14.1% year-on-year to approximately RMB4.13 million, accounting for 2.3% of the Group's total revenue. The Group provided information systems maintenance services to a PRC state-owned petroleum company in the Period as representative systems maintenance services of the Group, which involved 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.

FINANCIAL REVIEW

Revenue

The Group's revenue increased significantly by 95.8% to approximately RMB175.54 million for the Period as compared with corresponding period of last year (corresponding period of 2017: approximately RMB89.65 million), mainly attributed to a robust growth in revenue of intelligent terminal products sales business including the significant growth of sales to an IoT technology company situated in Beijing, as well as the Group's sales of electronic products to its newly secured clients in Beijing and Shanghai (which are engaged in technology and data services, respectively), which contributed considerable revenue to the Group for the Period, as well as offsetting the impact brought by a decline in revenue from the system integration business.

Gross profit and gross profit margin

The Group's gross profit increased significantly by 86.7% to approximately RMB56.64 million for the Period (corresponding period of 2017: approximately RMB30.33 million). The increase in gross profit was mainly attributable to a significant increase in the overall revenue driven by a robust growth in revenue from sales of intelligent terminal products business. The gross profit margin did not indicate significant changes as compared with corresponding period of last year.

Other income

The Group's other income for the Period mainly included (i) interest income from bank deposits; (ii) rental income; (iii) government grants; and (iv) commission income. Other income increased by 56.3% to approximately RMB1.61 million for the Period (corresponding period of 2017: approximately RMB1.03 million). Such change was mainly due to an increase in revenue from government grants.

Other expenses

During the Period, the Group's other expenses increased by 12.3 times to approximately RMB0.40 million (corresponding period of 2017: approximately RMB0.03 million), which included expenses on acquisition activities. For details, please see the section headed "Material Acquisition and Disposal of Subsidiaries and Affiliated Companies — Material Acquisitions in Progress During the Period" in this report below.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains and losses

The Group's other gains and losses for the Period mainly comprised of net exchange differences and changes in fair value of investment properties. Other net gains amounted to approximately RMB4.86 million for the Period (corresponding period of 2017: net gain of approximately RMB0.45 million) mainly due to the movement of exchange rate of RMB during the Period.

Impairment losses, net of reversal

During the Period, the Group's impairment losses, net of reversal, were approximately RMB 3.01 million (corresponding period of 2017: nil), including expected credit losses for trade and other receivables.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 93.1% to approximately RMB1.12 million for the Period (corresponding period of 2017: approximately RMB0.58 million) mainly due to the increase in staff salaries and welfare benefits as a result of the increased headcount of sales personnel to support the robust business growth in the Period.

Administrative expenses

The Group's administrative expenses increased by 3.5 times to approximately RMB24.47 million for the Period (corresponding period of 2017: approximately RMB5.46 million), mainly due to: (i) an increase in the relevant legal, professional and promotional fees arising from compliance by the Company with the additional regulations and rules regarding its Listing of the Shares on the Main Board on 28 December 2017; (ii) an increase in staff salaries and welfare benefits caused by the increase in number of administrative staff; (iii) the grant by the Company of in aggregate 40,000,000 share options, 30% of which are exercisable on the date of grant, to grantees to subscribe for the same number of ordinary Shares of HK$0.01 each in the capital of the Company on 29 June 2018; (iv) rising rental expenses for larger office space due to relocation of the principal place of business in Hong Kong of the Company to 23/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong on 20 June 2018 to satisfy business development requirements.

Finance costs

The Group's finance costs decreased by 15.5% to approximately RMB0.98 million for the Period (corresponding period of 2017: approximately RMB1.16 million), mainly due to less interest expense accrued from bank borrowings for the Period as compared to the corresponding period of 2017, resulting from a decrease in the amount of bank borrowings.

Research and development expenses

The Group's research and development expenses increased by 86.8% to approximately RMB3.55 million for the Period (corresponding period of 2017: approximately RMB1.90 million), which was mainly due to more focus was placed on the research and development to further broaden the expertise and resources of the Group as a whole , as well as the abovementioned expenses of the share options.

Income tax expense

The Group's income tax expense increased by 48.6% to approximately RMB6.51 million for the Period, mainly as a result of the Group's increased profit before taxation. The Group's effective tax rate decreased by 8.7 percentage points to approximately 22.0% which was mainly due to tax effect of expenses not deductible for tax purposes (mainly including Listing expenses) for the corresponding period in 2017.

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

As a result of the foregoing, the Group's profit and total comprehensive income increased by 1.3 times to approximately RMB23.06 million for the Period (corresponding period of 2017: approximately RMB9.91 million). The Group's net profit margin increased by 2.1 percentage points to approximately 13.1% (corresponding period of 2017: 11.0%), which was mainly due to the listing expenses incurred for the corresponding period of 2017.

Prepayments for Acquisitions of Businesses

The prepayments represent the amounts made for the acquisitions of the Target Company which were announced on 13 September 2018.

Capital Structure, Liquidity and Financial Resources

The Group adopted strict financial management policy, and its financial position remained sound. As at 30 September 2018, the Group's net current assets were approximately RMB215.00 million (31 March 2018: approximately RMB196.08 million).

As at 30 September 2018, the Group's bank balances and cash was approximately RMB63.52 million (31 March 2018: approximately RMB82.72 million). The current ratio (current assets to current liabilities) was approximately 3.1 times (31 March 2018: approximately 3.7 times).

As at 30 September 2018, the Group's total bank borrowings was approximately RMB29.98 million (31 March 2018: approximately RMB6.50 million).

On 31 August 2018, the Company, as an issuer, entered into the placing agreement with Eternal Pearl Securities Limited who acted as the placing agent. The placing agent has conditionally agreed to procure, on a best effort basis, independent placees to subscribe in cash for the bonds of an aggregate principal amount of HK$150,000,000. As of 30 September 2018, the Company issued bonds with an amount of HK$4,000,000 (being approximately RMB3.52 million). The bonds are transferable subject to the consent from the Company. The bonds will become due on the third anniversary of the issue date of the bonds. The bonds bear interest at a rate of 7% per annum, payable annually in arrears.

Gearing Ratio

As at 30 September 2018, the Group's gearing ratio (calculated by dividing total borrowings (including bank borrowings and bonds payables) by total equity) was approximately 13.7% (31 March 2018: approximately 3.0%).

Capital Expenditure

For the Period, the Group's capital expenditure increased by 27.3 times to approximately RMB2.83 million (corresponding period of 2017: approximately RMB0.10 million), which mainly represented expenses from purchase of office equipment, transportation equipment and club membership.

Capital Commitment

As at 30 September 2018, the Group had no significant capital commitment (31 March 2018: nil).

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 the use of hedging instruments when the need arises.

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: nil).

Pledge of Group's Assets

As at 30 September 2018 and 31 March 2018, all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Material Acquisitions in Progress During the Period

On 13 and 20 September 2018, the Group entered into the agreements with independent third parties to acquire 51.7321% ownership of the Target Company (the "**Acquisitions**") which will indirectly wholly own Weitu Group upon completion of the Reorganisation. As of 30 September 2018, the Acquisitions are still in progress. However, the management expects the Acquisitions to be completed by the end of 2018.

The Directors consider that the Acquisitions would create cross-selling opportunities as the Company and Weitu Group both target same group of clients serving government departments, enterprises and institutions. It is expected that the Company and Weitu Group could introduce customers to each other with expanded client base and synergistic effects. The Company can also provide ancillary services to the existing clients of Weitu Group to strengthen its client base. Therefore, strengthening and expanding the Company's client base are the benefits that could be brought to the Company from the Acquisitions.

Weitu Group also has a professional team comprising 28 professionals experienced in research and development of geographic information system in over 26 subfields. The Acquisitions would enable the Company and Weitu Group to provide more comprehensive solutions to their customers as their solutions could be consolidated with increased competitiveness and higher profit margin.

In view of the abovementioned benefits that are expected to be brought to the Company from the Acquisitions, including the business prospects and the business synergies, the Board regards that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

Weitu Group

Weitu Group has been recognised with numerous awards, including Certificate for Recognised Software Enterprise (軟件企業認定證書) and Certificate for Recognised Software Products (軟件產品認定證書). Weitu Group has also established a large and diversified client base covering government departments, state-owned holding enterprises, state-owned enterprises, listed companies and private enterprises, etc.

Weitu Technology and Yunwei Network are both companies established in the PRC with limited liability. They are national high-tech enterprises specialising in providing cloud services and integrated solutions for urban public service administration Software-as-a-Service ("**SaaS**").

With over 10 years of accumulation of technology and experience in software system construction and service for urban public service administration, they are fully devoted to the design, research and development, sales, implementation and operation of cloud services and integrated solutions for urban public service administration SaaS.

Their products and services cover over 26 subfields in urban public service administration, including but not limited to urban water supply and drainage, electric power, telecommunication, water conservancy, land, real estate, transportation, public security, urban management, fuel gas, rail transit, industrial park, estate management, environmental protection and hospital, providing users with high-quality and professional full life circle cloud services and integrated solutions for industry management SaaS. They also have intellectual property rights for 4 registered trademarks and more than 50 registered computer software copyrights.

Hunan Yingding is a company established in the PRC with limited liability. Its approved scope of business covers, amongst others, research and development of network technology, integration and construction of location-based information system, geographic information system engineering, software technology transfer, software technology services, data processing and storage services and retail sale of communication equipment and electronic products.

Fangyu Yunwei is a company established in the PRC with limited liability. Its approved scope of business covers, amongst others, technology development, technical services, technology consulting and technology transfer in the field of IoT technology, processing, wholesale and retail of identification and industrial automation equipment, wholesale and retail of computer, software and auxiliary equipment (except computer information system security products) and communication equipment (except satellite TV broadcasting, ground receiving equipment) and development of computer software.

Details are set out in the announcements of the Company dated 13 and 21 September 2018. The Company will make further announcement as and when appropriate in accordance with the Listing Rules.

Material Disposal

During this Period, the Group did not have any material disposal of subsidiaries or associates.

Significant Investment

Save as disclosed in the above section headed "Material Acquisitions in Progress During the Period" in this report, the Group did not have any other significant investment during the Period.

Future Plans for Significant Investments and Capital Assets

The Group is currently exploring and identifying investment and acquisition opportunities in the IoT market, and intends to use its internal resources and issuance of bonds to fund for its business expansion.

Employee and Remuneration Policy

As at 30 September 2018, the Group employed a total of 162 employees (30 September 2017: 147 employees). During the Period, staff costs (including Directors' emolument) was approximately RMB20.25 million (corresponding period of 2017: approximately RMB6.90 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. The share option scheme was adopted by the Company on 6 December 2017 to attract, retain and motivate talented employees to strive for future developments and expansion of the Group. On 29 June 2018, 40,000,000 share options have been granted to the eligible Directors, employees and a consulting firm pursuant to the share option scheme adopted by the Company on 6 December 2017.

MAJOR AWARDS AND CERTIFICATES

Accreditation & Certificates	Details	Time of awarding/ Valid duration for awarding	Accredited/ Certified by
Certificate of Security and Protection Engineering Enterprise in Design, Construction and Maintenance Ability Assessment	IBO Information being accredited the First Degree Certificate of Security and Protection Engineering Enterprise in Design, Construction and Maintenance Ability Assessment	16 April 2018 to 15 April 2021	China Security and Protection Industry Association (中國安全防範產品行業協會)
Membership Certificate	IBO Information being admitted as the general membership unit of "AII, Alliance of Industrial Internet"	11 June 2018	AII, Alliance of Industrial Internet (工業互聯網產業聯盟)
Credit Rating Certificate	IBO Information being awarded the *AAA* credit rating	3 September 2018 to 2 September 2019	Shenzhen Nanfang Credit Rating Co., Ltd. (深圳南方資信評估有限公司), which is a credit rating agency registered with Shenzhen Central Sub-branch of the People's Bank of China
Certificate of Intellectual Property Rights Management System Rectification	IBO Information is hereby certify that it complies with the intellectual property management system standard: GB/T 29490-2013 The scope of such certification passed including the intellectual property rights management on development and sales as well as procurement related to the above process in terms of computer application software (IoT city public safety management area)	25 September 2018 to 24 September 2021	Zhong Gui (Bei Jing) Certification Limited
Membership certificate	IBO Information is granted the 2018 membership of "Guangdong Market Institute of Guangdong Province"	2018	Guangdong Market Institute of Guangdong Province

In addition, Mr. Teng Feng, the executive Director of the Company, was granted the Outstanding Contribution Award for the Electronic Supervision System Construction of Urumqi Municipal Liquefied Petroleum Gas Cylinder on 8 June 2018 by Urumqi Bureau of Quality and Technical Supervision.

MANAGEMENT DISCUSSION AND ANALYSIS

ENTERING INTO MEMORANDUM OF INDUSTRY-ACADEMIA RESEARCH COOPERATION

During this Period, the Group, through its subsidiary IBO Information, intended to cooperate with the School of Computer Science of Wuhan University* (武漢大學計算機學院) to establish a long-term and stable strategic cooperative partnership by entering into a non-legally binding memorandum of cooperation (the "**Memorandum**") for a term of three years and setting up the "IBO Information. Wuhan University IoT Joint R&D Centre* (艾伯資訊 • 武漢大學物聯網聯合研 發中心)".

The foundation of the strategic cooperative partnership is the mutual trust, practice and tacit understanding developed in the cooperation, while its objective and fundamental interests are efficiency enhancement and common development respectively. R&D and innovation efforts are to be made in such cutting-edge technologies as artificial intelligence (AI), big data applications and intelligent software.

The purposes of the cooperation made full use of respective advantages, enhancing information and resource sharing, leading better communication and maintaining high-trust relationship between the strategic partners, so as to gain greater competitive advantage and achieve enhancement and improvement on costs, management, services, users' satisfaction and financial results. Leveraging on the strengths on scientific research technology and talents of the School of Computer Science of Wuhan University, IBO Information is provided with a pool of experts and good supply of R&D staff. The parties established a characteristic research center by way of project cooperation, resource integration, outcome sharing, technical training, talent development and communication.

The Memorandum is a non-legally binding document and the basis of the long-term strategic cooperation between IBO Information and the School of Computer Science of Wuhan University. The parties entered into a formal contract for each specific cooperation project. In the event of any inconsistency, the specific contract shall prevail. According to the Memorandum, the parties may continuously expand the scope of cooperation depending on market conditions and development needs. To the best knowledge, information and belief of the Directors having made all reasonable enquires, the School of Computer Science of Wuhan University is independent of the Company and its connected persons (as defined in the Listing Rules).

BUSINESS OUTLOOK AND STRATEGIES

In recent years, the IoT market size in China has grown rapidly. According to the "Supporting Report on Construction Industry Development Trend and Investment Decision on China's Smart City from 2018–2023" issued by the Prospects Industry Research Institute, as of the end of 2016, 100%, 89%, and 49% of cities at the sub-provincial level and above, prefecture level and above, county-level, respectively, have already commenced their smart city development. The number of prefecture-level cities has exceeded 300 with a planned investment amounting to RMB3 trillion and a construction investment amounting to RMB600 billion. Meanwhile, amid a growing attention by local governments to city public safety construction, as well as an increasing demand for public safety management in Chinese cities, the Group will secure favorable market opportunities by constantly fixating on this sector development.

To continue existing business expansion and diversify income stream

Following introduction of guidelines for a healthy development of national smart cities, innovative business models continue emerging amid the relevant expanding market size. The involvement and advancement of market forces has increasingly encouraged the differentiation of the smart city development, as well as a wide spread of related applications. Due to government policy and support, as well as a rapid development in the industry, lean city management has continued forward throughout the country, gradually cultivating further development of in-depth applications of smart cities. In response to the market demand, the Group continues its vertical expansion of core businesses, while committing itself to seizing good opportunities arising from a prospering market. Horizontally, the Group seeks new business growth momentums to diversify its income stream.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

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

With ongoing continuous scientific research, the Group has completed research and development of fire protection products and systems, smart parking systems, and other projects. Some of our products were exhibited at the 10th International Internet of Things Exhibition ("**IOTE**") in 2018, receiving positive recognition. In terms of new products, by consolidating with IoT and blockchain technologies, the Group is engaged in the research and development of an anti-counterfeiting traceability system, which allows consumers to verify products over their mobile phone due to their anti-counterfeiting requirements for online shopping in the future.

During the Period, the Group cooperated with Wuhan University to establish an Internet R&D Center, which will continue to focus on research and development of artificial intelligence (AI), big data and intelligent software. In return, the R&D achievements were transformed into products and services, enabling the Group to foray into the city public safety management industry in the future and meet diverse customised requirements.

To strengthen marketing efforts to secure new customers

The Group has continued to increase its investments in marketing to secure new customers and expand market shares. During the Period, the Group completed the development of the fire safety management system, which had been commissioned in a school in Shenzhen and a building in Xinjiang. It is expected that such product will soon be introduced to the market, while our self-developed intelligence parking system will be put into trial in Hebei Province in the fourth quarter. Furthermore, the driver identification system will be launched to the market according to our schedule.

To continue expanding to various sectors of the "Smart City" market

The Group strives to become the leading integrated IoT intelligent 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 smart wearables, anti-counterfeiting product traceability, smart transportation, cloud platform for urban public service administration Software-as-a-Service ("**SaaS**"), etc. In line with the ongoing development of the "Smart City" construction, the Group will in the future commence strategic cooperation with large-scale IT companies in projects with a high growth potential for market segments of the "Smart City" construction, becoming a contributor to the "Smart City" development.

To explore beneficial strategic investment opportunities

According to the 2017–2018 Annual Report on the Development of Internet of Things in China (2017–2018年中國物聯網發展年度報告) issued by China Economic Information Service in September 2018, the compound annual growth rate of China's IoT industry had exceeded 25% from 2013 to 2017. Closely following the IoT market demand, the Group continues to identify investment opportunities in the upstream and downstream sectors on the IoT industry chain to improve its operational efficiency, thereby maintaining our leading position in the IoT technology application market. Meanwhile, the Group will also establish strategic partnership with prominent internet-enabled companies and e-commerce platforms to complement each other, enhance the integration of various resources, promote product and service innovation and strengthen business continuity to secure a mutually beneficial outlook while enhancing business growth and strength.

The Group is exploring opportunities for acquisition 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.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that had occurred after 30 September 2018 and up to the date of this report.

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 30 September 2018, the Group has utilised a total of approximately RMB76.72 million from the net proceeds, and net proceeds have been used in the manner set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 14 December 2017. The unutilised net proceeds from global offering have been deposited in a licensed bank in Hong Kong. The utilisation of net proceeds was summarized as below:

	Original allocation of net proceeds from global offering		Actually utilised amount as of 30 September 2018	Unutilised amount as of 30 September 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	47,784	0
Used for identifying beneficial strategic investment opportunities from 2017 to 2019	19.4	17,072	13,500	3,572
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	6,633	7,711
Used for additional working capital and other general corporate purpose	10.0	8,800	8,800	0
	100.0	88,000	76,717	11,283

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	NOTES	Six months ended 30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue	3	**175,537**	89,649
Cost of sales and services rendered		**(118,899)**	(59,319)
Gross profit		**56,638**	30,330
Other income	5	**1,605**	1,033
Other expenses		**(400)**	(25)
Other gains and losses	6	**4,862**	450
Impairment losses, net of reversal		**(3,011)**	–
Distribution and selling expenses		**(1,121)**	(582)
Administrative expenses		**(24,467)**	(5,456)
Finance costs		**(981)**	(1,163)
Research and development expenses		**(3,553)**	(1,902)
Listing expenses		**–**	(8,398)
Profit before taxation		**29,572**	14,287
Income tax expense	7	**(6,511)**	(4,381)
Profit and total comprehensive income for the period attributable to owners of the Company	8	**23,061**	9,906
Earnings per share			
— Basic (RMB cents)	10	**5.77**	3.30
— Diluted (RMB cents)	10	**5.76**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTES	30 September 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**5,332**	3,947
Investment properties		**19,200**	19,360
Intangible asset	11	**801**	–
Rental deposits		**1,163**	994
Prepayments for acquisitions of businesses	12	**13,500**	–
Deposits paid for acquisition of property, plant and equipment		**1,131**	–
		41,127	24,301
Current assets			
Inventories		**20,306**	1,245
Trade and other receivables	13	**222,370**	183,259
Contract assets	14	**11,845**	–
Amounts due from customers for contract works		**–**	2,199
Bank balances and cash		**63,515**	82,719
		318,036	269,422
Current liabilities			
Trade and other payables	15	**63,363**	57,466
Contract liabilities		**161**	–
Tax payables		**10,216**	9,373
Bank borrowings	16	**29,295**	6,500
		103,035	73,339
Net current assets		**215,001**	196,083
Total assets less current liabilities		**256,128**	220,384
Non-current liabilities			
Deferred tax liabilities		**6,751**	6,065
Bank borrowings	16	**681**	–
Bonds payables	17	**3,520**	–
		10,952	6,065
Net Assets		**245,176**	214,319
Capital and reserves			
Share capital	18	**3,349**	3,349
Reserves		**241,827**	210,970
Total Equity		**245,176**	214,319

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 *(Note a)*	Share options reserve RMB'000	Statutory Surplus reserve RMB'000 *(Note b)*	Retained profits RMB'000	Total RMB'000
At 1 April 2017 (audited)	1	48,083	(43,325)	–	8,583	52,071	65,413
Profit and total comprehensive income for the period	–	–	–	–	–	9,906	9,906
At 30 September 2017 (unaudited)	1	48,083	(43,325)	–	8,583	61,977	75,319
At 1 April 2018 (audited)	**3,349**	**158,165**	**(43,325)**	**–**	**14,383**	**81,747**	**214,319**
Adjustments *(note 2)*	**–**	**–**	**–**	**–**	**–**	**(1,439)**	**(1,439)**
At 1 April 2018 (restated)	**3,349**	**158,165**	**(43,325)**	**–**	**14,383**	**80,308**	**212,880**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**23,061**	**23,061**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**9,235**	**–**	**–**	**9,235**
At 30 September 2018 (unaudited)	**3,349**	**158,165**	**(43,325)**	**9,235**	**14,383**	**103,369**	**245,176**

Notes:

a. Merger reserve represented the difference between the share capital of Abacus International Group Company Limited ("**Abacus**"), 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, and share capital and share premium of IBO Holdings.

b. 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	NOTE	Six months ended 30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		**29,873**	15,822
(Increase) decrease in inventories		**(19,061)**	392
Increase in trade and other receivables		**(39,280)**	(43,724)
Increase (decrease) in trade and other payables		**15,670**	45,810
Other movements in working capital items		**(9,485)**	(4,097)
Cash (used in) from operations		**(22,283)**	14,203
Income taxes paid		**(5,525)**	(1,476)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(27,808)**	12,727
INVESTING ACTIVITIES			
Prepayments for acquisitions of businesses	*12*	**(13,500)**	–
Purchase of property, plant and equipment		**(2,012)**	(65)
Deposits paid for acquisition of property, plant and equipment		**(1,131)**	–
Purchase of intangible assets		**(818)**	–
Interest received		**50**	7
Advance to a related company		**–**	(134)
Advances to a director		**–**	(170,000)
Repayment from a director		**–**	183,610
Repayment from a related company		**–**	130
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(17,411)**	13,548
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**32,000**	36,800
Proceeds from bonds issuance		**3,520**	–
Repayments of bank borrowings		**(8,524)**	(37,400)
Repayment to a director		**–**	(19,481)
Interest paid		**(981)**	(1,163)
Loan from a director		**–**	2,083
Dividends paid		**–**	(2,167)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**26,015**	(21,328)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(19,204)**	4,947
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**82,719**	31,568
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD represented by bank balances and cash		**63,515**	36,515

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value.

Other than described as below and changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Share-based payment arrangements

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to service providers

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets with finite useful lives to determine whether there is any indication that these 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).

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provision in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as describes below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

(1) Sales of intelligent terminal products

(2) Provision of coordination, management and installation services

(3) Provision of system maintenance services

(4) Development of customised software

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

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 Group satisfies a performance obligation.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2.1.2 Summary of effects arising from initial application of HKFRS 15

Revenue from sales of intelligent terminal products is recognised at a point in time upon delivery of products to the customers.

Revenue from provision of coordination, management and installation services has been 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. 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 that such method is similar to the output method in measuring.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

System maintenance service income is recognised on a straight-line basis through the input method over the terms of the relevant contract, as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. In maintenance contract, whether customers repair or maintenance happened in the month or not, customers still need to pay monthly maintenance fee, and the Group gains the right to receive the consideration. The performance obligation is satisfied with time elapsed.

Contracts of development of customised software provide customised software with no alternative use to the Group. Taking into account the contract terms, the legal and regulatory environment in the PRC, all the contracts provide the Group's enforceable right to payment for performance completed to date and hence the revenue is recognised over time upon on application of HKFRS 15. 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 following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amount previously reported at 31 March 2018 RMB'000	Reclassification RMB'000	Carrying amount under HKFRS15 at 1 April 2018* RMB'000
Current assets				
Contract assets	*(a)*	–	3,648	3,648
Amounts due from customers for contract works	*(a)*	2,199	(2,199)	–
Trade and other receivables	*(a)*	183,259	(1,449)	181,810
Current liabilities				
Contract liabilities	*(b)*	–	314	314
Trade and other payables	*(b)*	57,466	(314)	57,152

* The amounts in this column are before the adjustment from the application of HKFRS 9.

(a) In relation to contracts for provision of coordination, management and installation services previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from customers for contract works amounting to RMB2,199,000 and retention receivables amounting to RMB1,449,000 at 1 April 2018 were reclassified to contract assets.

(b) As at 1 April 2018, advances from customers amounting to RMB314,000 in relation to consideration received for goods previously included in trade and other payables were reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported at 30 September 2018 RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 at 30 September 2018 RMB'000
Current assets			
Contract assets	11,845	(11,845)	–
Amounts due from customers for contract works	–	11,561	11,561
Trade and other receivables	222,370	284	222,654
Current liabilities			
Trade and other payables	63,363	161	63,524
Contract liabilities	161	(161)	–

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and contract assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets of the Group that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. There is no change in classification and measurement on the Group's financial assets compared to prior year.

<u>Impairment under ECL model</u>

The Group recognises a loss allowance for ECL on assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Impairment under ECL model (Continued)

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors basing on internal credit ratings after considering historical default records and debtors' aging.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Note	Trade and other receivables RMB'000	Contract assets RMB'000	Refundable rental deposits RMB'000	Deferred tax liabilities RMB'000	Retained profits RMB'000
Closing balance at 31 March 2018 — HKAS 39		183,259	–	994	(6,065)	81,747
Effect arising from initial application of HKFRS 15		(1,449)	3,648	–	–	–
Effect arising from initial application of HKFRS 9						
Remeasurement						
Impairment under ECL model	*(a)*	(1,646)	(29)	(18)	254	(1,439)
Opening balance at 1 April 2018		180,164	3,619	976	(5,811)	80,308

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly include bank balances, other receivables and refundable rental deposits, are assessed on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for these receivables which are past due over 30 days are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 April 2018, the additional credit loss allowance of RMB1,693,000 and related deferred tax credit of RMB254,000 has been recognised against retained profits. The additional loss allowance is charged against the respective assets.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

All loss allowances for financial assets including trade and other receivables, contract assets and rental deposits as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Trade and other receivables RMB'000	Contract assets RMB'000	Rental deposits RMB'000
At 31 March 2018 — HKAS39	–	N/A	–
Amounts remeasured adjusted to opening retained profits	(1,646)	(29)	(18)
At 1 April 2018	(1,646)	(29)	(18)

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

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

Because of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 March 2018 (Audited) RMB'000	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 April 2018 (Restated) RMB'000
Non-current Asset				
Rental deposits	994	–	(18)	976
Current Assets				
Trade and other receivables	183,259	(1,449)	(1,646)	180,164
Contract assets	–	3,648	(29)	3,619
Amounts due from customers for contract works	2,199	(2,199)	–	–
Current Liabilities				
Trade and other payables	57,466	(314)	–	57,152
Contract liabilities	–	314	–	314
Non-current Liability				
Deferred tax liabilities	6,065	–	(254)	5,811
Capital and Reserves				
Retained profits	81,747	–	(1,439)	80,308

3. REVENUE

Disaggregation of revenue

Types of goods or services

	Six months ended 30 September 2018 (Unaudited) RMB'000
Intelligent terminal products sales	**167,646**
Provision of coordination, management and installation services	**302**
Software development	**3,464**
System maintenance services	**4,125**
	175,537

Timing of revenue recognition

	Six months ended 30 September 2018				
	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
A point in time	**167,646**	**–**	**–**	**–**	**167,646**
Over time	**–**	**302**	**3,464**	**4,125**	**7,891**
	167,646	**302**	**3,464**	**4,125**	**175,537**

4. SEGMENT INFORMATION

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.

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

For the six months ended 30 September 2018

	Intelligent terminal products sales (Unaudited) RMB'000	System integration (Unaudited) RMB'000	Software development (Unaudited) RMB'000	System maintenance services (Unaudited) RMB'000	Total (Unaudited) RMB'000
REVENUE					
External sales	163,438	4,510	3,464	4,125	175,537
SEGMENT PROFIT (LOSS)	51,404	(906)	2,392	794	53,684
Unallocated income					1,605
Unallocated expenses					(29,541)
Finance costs					(981)
Unallocated other gains and losses					4,862
Unallocated impairment losses, net of reversal					(57)
Profit before taxation					29,572

4. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2017

	Intelligent terminal products sales (Unaudited) RMB'000	System integration (Unaudited) RMB'000	Software development (Unaudited) RMB'000	System maintenance services (Unaudited) RMB'000	Total (Unaudited) RMB'000
REVENUE					
External sales	19,367	65,901	761	3,620	89,649
SEGMENT PROFIT	11,214	17,676	577	863	30,330
Unallocated income					1,033
Unallocated expenses					(16,363)
Finance costs					(1,163)
Unallocated other gains and losses					450
Profit before taxation					14,287

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, impairment losses related to other receivables and deposits and research and development expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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.

Geographical markets

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.

5. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income from bank deposits	**50**	7
Rental income	**245**	278
Government grants *(Note)*	**1,220**	748
Commission income	**90**	–
	1,605	1,033

Note: Government grants represented unconditional grants in relation to sale of qualifying technological products and research and development on high-tech area granted by the local government to IBO Information (Shenzhen) Limited ("**IBO**").

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net exchange gain	**5,025**	380
Change in fair value of investment properties	**(160)**	70
Loss on disposal of property, plant and equipment	**(3)**	–
	4,862	450

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**5,571**	3,403
Withholding tax	**–**	1,350
	5,571	4,753
Deferred tax	**940**	(372)
	6,511	4,381

7. INCOME TAX EXPENSE (Continued)

Hong Kong

No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the current interim period (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 current interim period.

In November 2016, IBO renewed 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 and therefore is entitled to preferential tax rate of 15% up to November 2019 in accordance to the PRC EIT Law.

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit and total comprehensive income for the period has been arrived at after charging (crediting):

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Directors' remuneration:	**5,065**	790
Other staff costs:		
— Salaries and other allowances	**14,466**	5,445
— Retirement benefit scheme contributions	**714**	687
Total staff costs	**20,245**	6,922
Depreciation of property, plant and equipment	**623**	450
Capitalised in inventories	**(145)**	(104)
	478	346

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (Continued)

	Six months ended 30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Amortisation of intangible assets (included in administrative expenses)	**17**	–
Cost of inventories recognised as an expense (included in cost of sales and services rendered)	**114,531**	55,732
Gross rental income from investment properties net of negligible direct operating expenses incurred for investment properties	**245**	278
Minimum operating lease rental expense in respect of rented premises	**2,844**	–
Impairment loss recognised in respect of trade receivables	**2,964**	–
Impairment reversed in respect of contract assets	**(10)**	–
Impairment loss recognised in respect of other receivables and rental deposits	**57**	–

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the current interim period (2017: nil), nor had any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	Six months ended 30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share	**23,061**	9,906

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 September 2018 '000	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	300,000
Effect of dilutive potential ordinary shares:		
Share options	**622**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**400,622**	N/A

The number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 September 2017 has been determined on the assumption that the reorganisation as set out on the prospectus dated 14 December 2017 had been effective on 1 April 2017.

No diluted earnings per share for the six months ended 30 September 2017 was presented as there were no potential ordinary shares in issue for the six months ended 30 September 2017.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSET

During the interim period, the Group paid approximately RMB2,012,000 (30 September 2017: RMB65,000) for purchase of motor vehicles and office equipment.

In addition, the Group paid approximately RMB818,000 (30 September 2017: Nil) to acquire a club membership held as an intangible asset which has been estimated useful lives of 20 years.

12. PREPAYMENTS FOR ACQUISITIONS OF BUSINESSES

On 13 and 20 September 2018, the Group entered into two agreements (the "**Weitu Acquisition Agreements**") with independent third parties, Wisdom Galore Limited and Thriving Ascend Limited for the acquisition of 51.7321% equity interest in Bright Leap Limited.

The completion of the acquisition is subject to fulfilment of the various criteria as set out in the Weitu Acquisition Agreements, the acquisition has yet to be completed at 30 September 2018.

The proposed consideration of the aforementioned acquisitions is approximately RMB82.8 million subject to adjustments, the payment shall be settled by cash and issuance of consideration shares. At the end of the reporting period, the aggregate prepayments for the aforementioned acquisitions amounted to RMB13.5 million.

13. TRADE AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000
Trade receivables	**197,613**	102,100
Less: allowance for doubtful debts	**(4,590)**	–
	193,023	102,100
Retention receivables	**–**	1,449
Other receivables	**1,052**	2,815
VAT recoverable	**1,871**	2,826
Prepayments	**26,424**	73,988
Rental deposit	**–**	81
Total	**222,370**	183,259

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 receivables presented based on date of delivering of goods/payment certificates/ invoice dates at the end of the reporting period:

	30 September 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000
0–30 days	**59,417**	26,226
31–90 days	**66,936**	8,395
91–180 days	**81**	17,775
181–365 days	**18,878**	29,401
Over 365 days	**47,711**	21,752
	193,023	103,549

The directors of the Company assessed the impairment based on the ECL model upon the application of HKFRS 9 as at 1 April 2018 and 30 September 2018. Included in Group's trade receivables balance, are debtors with aggregate carrying amount of RMB66,627,000 which are past due at the reporting date which the Group has not provided for impairment loss, of which RMB65,983,000 were overdue more than 90 days. Based on the Group's assessment of historical credit loss experience of these debtors, including all available forward looking information, facts and circumstances underlying the delayed payment, and expected settlements, the Group does not consider default has occurred despite the contractual payments are overdue more than 90 days.

13. TRADE AND OTHER RECEIVABLES (Continued)

The movement in the allowance for impairment in respect of trade receivables during the current interim period was as follow:

	30 September 2018 (Unaudited) RMB'000
Balance at 1 April 2018*	**1,626**
Net remeasurement of impairment	**2,964**
Balance at 30 September 2018	**4,590**

* The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated.

14. CONTRACT ASSETS

	30 September 2018 (Unaudited) RMB'000
Contract assets:	
System integration and software development	**11,561**
Retention receivables	**284**
	11,845

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestone at the end of the reporting period and retention receivables which are to be settled upon the expiring of the defects liability period. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the specified milestones are achieved and acknowledged by the customers or upon expiring of defects liability period. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The movement in the allowance for impairment in respect of contract assets during the current interim period was as follow:

	30 September 2018 (Unaudited) RMB'000
Balance at 1 April 2018*	**29**
Remeasurement of impairment loss	**(10)**
Balance at 30 September 2018	**19**

* The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated and presented.

15. TRADE AND OTHER PAYABLES

	30 September 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000
Trade payables	**37,265**	37,518
Other payables and other accruals	**1,922**	3,097
Other tax payable	**22,774**	13,695
Accrued payroll expenses	**1,402**	1,091
Listing expenses payables	**–**	2,065
Total trade and other payables	**63,363**	57,466

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 the end of the reporting period:

	30 September 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000
0–30 days	**21**	5,590
61–90 days	**6,474**	1,317
Over 90 days	**30,770**	30,611
	37,265	37,518

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB32,000,000 (31 March 2018: RMB6,500,000). The loans carry interest at fixed market rates ranging from 6.5% to 9.5% and are repayable in instalments over a range of period of 1 to 3 years, the proceeds were used to finance daily operation of businesses.

17. BONDS PAYABLES

During the current interim period, the Group issued bonds at par value in an aggregate principal amount of HKD4,000,000 (the "**Bonds**"). The Bonds are denominated in HKD and are unlisted. The Bonds carry interest at a nominal rate of 7% per annum, payable annual in arrears with a maturity period of 3 years unless earlier redeemed or repurchased. The proceeds are being utilised for general working capital of the Group.

18. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017	39,000,000	390
Increase during the year end 31 March 2018 *(Note i)*	961,000,000	9,610
At 31 March 2018 and 30 September 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:			
At 1 April 2017	100,000	1	1
Capitalisation issue *(Note ii)*	299,900,000	2,999	2,511
Issue of new shares upon listing *(Note iii)*	100,000,000	1,000	837
At 31 March 2018 and 30 September 2018	400,000,000	4,000	3,349

Notes:

i. 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.

ii. 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.

iii. 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 shares rank pari passu with the existing shares in all respects.

19. SHARE BASED PAYMENTS

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 shares of the Company on 28 December 2017.

19. SHARE BASED PAYMENTS (Continued)

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.

On 29 June 2018, the Company has granted in aggregate 40,000,000 share options to subscribe for the same number of ordinary shares of the Company. The share options are granted under the Scheme. Among these share options, 12,000,000 of the share options were granted to directors of the Company, 24,000,000 of them were granted to employees and the remaining 4,000,000 share options were granted to a consulting firm.

All share options granted under the Scheme on 29 June 2018 will expire after three years from date of grant. 30% of share options granted under the Scheme will become exercisable at the grant date, 30% of share options granted under the Scheme will become exercisable on 29 June 2019, and the remaining 40% granted under the Scheme will become exercisable at 29 June 2020.

The closing price of the Company's shares immediately before 29 June 2018, the date of grant, was HK$1.55.

The Binomial model has been used to estimate the fair value of the options granted to employees. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. The value of a share option varies with different variables of certain subjective assumptions. The fair value of the options granted to service providers was determined by reference to the market quoted price of the services received by the Group.

The following assumptions were used to calculate the fair values of share options:

	29 June 2018
Grant date share price	**HK$1.60**
Exercise price	**HK$1.612**
Expected life	**3 years**
Expected volatility	**61.57%**
Dividend yield	**0%**
Risk-free interest rate*	**1.95%**

* Risk-free rate represents the yields to maturity of Hong Kong Sovereign Curve with respective terms to maturity as at the grant date.

Expected volatility was determined by using quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

At the end of the reporting period, the Group revises its estimates of number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

19. SHARE BASED PAYMENTS (Continued)

The fair value of the options at the date of grant was HKD25,773,000, equivalent to RMB21,729,000. The Group recognised the expense of RMB9,235,000 for the period ended 30 September 2018 (six months ended 30 September 2017: nil) in relation to share options granted by the Company. No share options granted under the Scheme were exercised up to the end of the reporting period.

20. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the current interim period, the Group entered into the following transactions with a related company, which is controlled by Mr. Lai Tse Ming, the Controlling Shareholder.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Rental expense	**112**	–

(b) 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:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term benefits	**3,441**	1,386
Contribution to retirement benefits schemes	**121**	92
Equity-settled share-based payments	**5,541**	–
	9,103	1,478

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

OTHER INFORMATION

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 for the six months ended 30 September 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.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted our Company's Code on terms no less exacting than the required standard set out in the Model Code. 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 during the six months ended 30 September 2018.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

For the Period, none of the Directors, controlling Shareholders or substantial Shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) are engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 December 2017 (the "**Scheme**") and options carrying rights to subscribe for 40,000,000 Shares were fully granted in accordance with the Scheme on 29 June 2018. The scheme mandate limit of the Scheme was refreshed on 26 September 2018 as the Company's Shareholders passed an ordinary resolution at an extraordinary general meeting of the Company to refresh the 10% scheme mandate limit under the Scheme in order to enable the Company to grant further options up to a maximum of 40,000,000 Shares based on the 400,000,000 issued Shares.

Details of the share options granted and outstanding during the Period were:

		Number of share options									
			During the Period								
Name and/ or category of grantees	Date of grant of share options	Outstanding as at 1 April 2018	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 September 2018	Vesting period of share options	Exercisable period of shares options	Exercise price per Share *HK$*	Closing price per Share immediately before the date of grant *HK$*
Directors											
Mr. Gao Weilong ("**Mr. Gao**")	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018– 28 June 2021	1.612	1.55
Mr. Gao	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018– 28 June 2019	29 June 2019– 28 June 2021	1.612	1.55
Mr. Gao	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018– 28 June 2020	29 June 2020– 28 June 2021	1.612	1.55
Mr. Teng Feng ("**Mr. Teng**")	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018– 28 June 2021	1.612	1.55
Mr. Teng	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018– 28 June 2019	29 June 2019– 28 June 2021	1.612	1.55
Mr. Teng	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018– 28 June 2020	29 June 2020– 28 June 2021	1.612	1.55
Mr. Yu Kin Keung ("**Mr. Yu**")	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018– 28 June 2021	1.612	1.55
Mr. Yu	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018– 28 June 2019	29 June 2019– 28 June 2021	1.612	1.55
Mr. Yu	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018– 28 June 2020	29 June 2020– 28 June 2021	1.612	1.55
Consulting firm											
Chatwin Capital Services Limited	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018– 28 June 2021	1.612	1.55
Chatwin Capital Services Limited	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018– 28 June 2019	29 June 2019– 28 June 2021	1.612	1.55
Chatwin Capital Services Limited	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018– 28 June 2020	29 June 2020– 28 June 2021	1.612	1.55
Employees	29 June 2018	–	7,200,000	–	–	–	7,200,000	Vested immediately on the date of grant	29 June 2018– 28 June 2021	1.612	1.55
Employees	29 June 2018	–	7,200,000	–	–	–	7,200,000	29 June 2018– 28 June 2019	29 June 2019– 28 June 2021	1.612	1.55
Employees	29 June 2018	–	9,600,000	–	–	–	9,600,000	29 June 2018– 28 June 2020	29 June 2020– 28 June 2021	1.612	1.55
Total		–	40,000,000	–	–	–	40,000,000				

All outstanding or unexercised share options granted to the grantees shall lapse after 28 June 2021.

Other than as disclosed above, at no time during the Period was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) or their associates to acquire benefits by means of the acquisition of Shares and/or debt securities, including debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")).

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

As at 30 September 2018, the interests and short positions of the Directors and chief executives 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 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, were as follows:

Long positions in the Shares

Name of Directors	Capacity/ Nature of interests	Number of Shares held/ interested in	Underlying Shares (under equity derivatives of the Company) *(Note 3)*	Percentage of shareholding/ interests *(Note 1)*
Mr. Lai Tse Ming ("**Mr. Lai**")	Interest of controlled corporation *(Note 2)*	223,220,000	–	55.81%
Mr. Gao	Beneficial owner *(Note 3)*	–	4,000,000	1.00%
Mr. Teng	Beneficial owner *(Note 3)*	–	4,000,000	1.00%
Mr. Yu	Beneficial owner *(Note 3)*	–	4,000,000	1.00%

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 BVI with limited liability on 31 August 2007. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai.

3. Details of share options held by Directors are shown in the section of "Share Option Scheme".

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 30 September 2018, as far as known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives 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 4)*	55.81% *(Note 4)*
Ms. Ho Fung Lin ("**Ms. Ho**") *(Note 2)*	Interest of spouse	223,220,000 *(Note 4)*	55.81% *(Note 4)*
Value Convergence Holdings Limited *(Note 3)*	Beneficial owner and interest in a controlled corporation	32,022,000 *(Note 4)*	8.00% *(Note 4)*
VC Group Holdings Limited *(Note 3)*	Interest in a controlled corporation	31,500,000 *(Note 4)*	7.88% *(Note 4)*
Century Race Investments Limited ("**Century Race**") *(Note 3)*	Beneficial owner	31,500,000 *(Note 4)*	7.88% *(Note 4)*

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. 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 executives 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.

OTHER INFORMATION

CHANGE OF INFORMATION OF A DIRECTOR

The changes of information of a Director since the date of the 2018 Annual Report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Lyu Huiheng

- Mr. Lyu ceased to be a lawyer in Beijing Jurisino (Shenzhen) Law Group* (北京市時代九和(深圳)律師事務所) with effective from June 2018 and became a lawyer in Shanghai Hiways Law Offices* (上海市海華永泰(深圳)律師事務所) since July 2018.

- Mr. Lyu ceased to be a director of Union Films Limited (合眾影業有限公司) (principally engaged in production shooting projects) with effective from June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the Period, 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.

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Hung Muk Ming (Chairman), Dr. He Tianxiang and Dr. Wong Kwok Yan. The Company's unaudited interim results and interim report for the six months ended 30 September 2018 have been reviewed by the audit committee. The audit committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosures have been made.

By Order of the Board
IBO Technology Company Limited
Lai Tse Ming
Chairman

Hong Kong, 29 November 2018

As of the date of this report, the Board comprises Mr. Lai Tse Ming as chairman and executive Director; Mr. Gao Weilong, Mr. Teng Feng, Mr. Yu Kin Keung and Mr. Lyu Huiheng as executive Directors; and Dr. He Tianxiang, Dr. Wong Kwok Yan and Mr. Hung Muk Ming as independent non-executive Directors.

* for identification purpose only

DEFINITIONS

In this report, unless the context otherwise requires, capitalised terms used shall have the following meanings:

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	IBO Technology Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2708)
"Company's Code"	a code of conduct regarding Directors' transactions in securities of the Company
"Director(s)"	the director(s) of the Company
"Fangyu Yunwei"	Jiangxi Fangyu Yunwei Network Technology Co., Ltd.* (江西方宇運維網絡科技有限公司), a company established in the PRC with limited liability
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hunan Yingding"	Hunan Yingding Network Co., Ltd.* (湖南盈鼎網絡有限公司), a company established in the PRC with limited liability
"IBO Information"	IBO Information (Shenzhen) Limited* (艾伯資訊(深圳)有限公司), a wholly-owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	Main Board of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China which, for the purposes of this report, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
"Reorganisation"	the corporate reorganisation of the Target Group
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the Share(s)

* for identification purpose only

DEFINITIONS

"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Bright Leap Limited (明躍有限公司), a company incorporated in the BVI with limited liability
"Target Group"	the Target Company and its subsidiaries
"Weitu Group"	collectively, Weitu Technology, Yunwei Network, Hunan Yingding and Fangyu Yunwei
"Weitu Technology"	Shenzhen Weitu Technology Development Co., Ltd.* (深圳市偉圖科技開發有限公司), a company established in the PRC with limited liability
"Yunwei Network"	Shenzhen Yunwei Network Co., Ltd.* (深圳市運維網絡有限公司), a company established in the PRC with limited liability
"%"	per cent.

* for identification purpose only