ibotech 艾伯科技

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

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

Stock Code 股份代號 : 2708

# 2019/2020
## Annual Report 年報

# CORPORATE PHILOSOPHY
# 公司理念

By upholding the corporate tenet of

## Intelligent Security & Integrative Focus

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

公司秉承

## 智能安全
## 專注一體化

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

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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 *(Member of HKICPA)*

## AUTHORISED REPRESENTATIVES

Mr. Lai Tse Ming
Mr. Yu Kin Keung

## PRINCIPAL BANKS

China Construction Bank Corporation
Industrial Bank Co., Ltd.
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

## AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

# CORPORATE INFORMATION

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## COMPANY WEBSITE

www.ibotech.hk

## STOCK CODE

2708

## CONTACT INFORMATION

| | |
|---|---|
| Address | 23/F, Sunshine Plaza<br>353 Lockhart Road<br>Wanchai<br>Hong Kong |
| Tel | (852) 2308 1266 |
| Fax | (852) 2789 4532 |

# ABOUT US

Established in April 2000, the Group is a listed high and new technology enterprise as well as a leading provider of industrial IoT solution and service in the PRC. The Shares have been listed on the Main Board of Hong Kong Stock Exchange since December 2017 (Stock code: 2708.HK).

## LEADING PROVIDER OF INDUSTRIAL IoT SOLUTION AND SERVICE IN THE PRC

As one of the pioneers engaging in IoT technology R&D and application, the Group has focused on the IoT industry for nearly 20 years and provided IoT intelligent terminal product, solution and service to customers from numerous industries. The Group seizes the opportunity coming with the development of the IoT industry by vertically intensifying the deployment in IoT industrial chain and horizontally integrating advanced technologies, including artificial intelligence, big data, block chain, edge computing, 5G, biotechnology, etc., which improves the product R&D and service of the Group and allows us to provide innovative solution and service to customers; hence, the Group's business keeps extending. With considerable effort for many years, our business grows rapidly and we have become an integrated corporate group comprising of various group members engaging in diversified sectors, ranging from city public security and safety management, smart fire service, smart agriculture, city public affair management, smart education and electronic application in consumption.

## STRONG TECHNICAL TEAM AND R&D CAPABILITY

The Group has strong technical team and R&D capability comprising of a batch of high quality talents possessing doctoral degree and master's degree. We have obtained over 100 innovation patents, patents for utility models and patents of software copyright in aggregate for our core technology with self-developed intelligent property. Also, the Group shares a wide range of technology and starts industrial and academic cooperation with renowned colleges and universities and scientific research institutions in PRC. Numerous joint R&D projects and transformation of technological achievement in artificial intelligence, big data, cloud computing, block chain, edge computing, 5G and biotechnology have effectively promoted the Group's technology advancement and innovation capacity.

## VISION

In future, the Group will continue to insist in the corporate philosophy of "Open-mind, Cooperation, Innovation and Refinement" to tightly embrace the direction and development plan set by the state IoT policy and continuously increase input in R&D, which finally extends the intensification and range of IoT technology application. To jointly establish an industrial digitalisation ecosystem and to achieve a win-win situation, stakeholders need to corporate through integration between upstream and downstream enterprises along the industry chain and intensification and development in the areas of industrial IoT and industrial digitalisation with an aim to realise the ambitious blueprint for corporate development.

# ABOUT US

## DEVELOPMENT AND OUTLOOK

**2021**
Industrial digitalisation application in various industries

**2020**
Industrial digitalisation application in various industries

**2019**
Industrial digitalisation application in the agricultural industry

**2018**
Being awarded the First Degree Certificate of Security and Protection Engineering Enterprise in Design, Construction and Maintenance Ability; and establishing "IoT Joint R&D Centre" in cooperation with Wuhan University

**2017**
Listing on the Main Board of Hong Kong Stock Exchange

**2016**
Taking on the large-scaled intelligent traffic construction project in Xinjiang, establishing a branch in Xinjiang

**2014**
Taking on the first RFID gas cylinder intelligent electronic supervision system project

**2013**
Being awarded the "China RFID Leading Enterprise Award"

**2010**
Being awarded the National High and New Technology Enterprise Certificate
Being named as "Top 100 Shenzhen Software Enterprises"

**2008**
Taking on the national gold card engineering RFID application pilot project, "Vehicle Intelligent Surveillance System"

**2006**
Being awarded the "Computer Information System Integration Qualification Certificate (Grade II)"

**2003**
Being awarded the High and New Technology Enterprise Certificate of Shenzhen, being accredited with the ISO 9001:2000 Quality Management System Certification

**2002**
Taking on the petrol filling IC card system construction project in Guangdong province

**2000**
Establishing IBO Information to commence its operations in Internet business

# CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce the consolidated results of the Group for the year ended 31 March 2020 (the "**Year**").

The Group's revenue for the Year increased by 63.2% from approximately RMB298.92 million for 2019 to approximately RMB487.76 million, which was primarily due to the strong growth in the revenues of intelligent terminal products sales business and software development business, of which the revenue of intelligent terminal products sales business, which accounted for 82.3% of the total revenue of the Group, increased to approximately RMB 401.22 million during the Year, representing a significant increase of 63.6% from approximately RMB245.20 million as compared to 2019, and the revenue of software development business during the Year increased to approximately RMB63.30 million, representing a significant increase of 102.0% from approximately RMB31.34 million as compared to 2019. The Group's gross profit for the Year amounted to approximately RMB113.30 million, representing an increase of 11.8% as compared with approximately RMB101.30 million for 2019. During the Year, the loss of the Group attributable to the owners of the Company amounted to approximately RMB52.96 million, and the profit attributable to the owners of the Company for 2019 amounted to approximately RMB33.95 million.

The Group has been deepening and cultivating its development in the field of intelligent IoT for almost two decades with an emphasis on the research and development of technology as well as product innovation; and it always keeps trying hard to move forward in a practical way. The revenues of the two major business segments of the Group, "intelligent terminal products sales" and "software development", recorded a substantial increase during the Year; and Weitu Group, whose 51.7321% ownership is indirectly held by the Company, also brought a considerable software development business income to the Group. The Group signed a strategic cooperation agreement with the Institute of Animal Science of CAAS (the "**Institute of Animal Science**") for the Year to establish the IAS-IBO Livestock Ecological Chain Innovation Research Centre* (中畜艾伯牧業生態鏈創新研究中心) to promote the transformation of scientific research results and commercial development of the Institute of Animal Science and realise the overall improvement of the beef cattle industry ecology. In June 2019 , the Company established a strategic cooperation relationship with the Tongliao Agriculture and Livestock Bureau* (通遼市農牧局) and entered into an agreement for the construction of "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)", speeding up the construction of "Digitalised ecology of smart agriculture and livestock industry in Tongliao".

2019 is the first year of 5G commercialisation era in the PRC. According to the 2020 Report on 5G Economy in the PRC (2020中國5G經濟報告) published by the CAICT, it is expected that 5G users in the PRC will reach 816 million in 2025, accounting for 30% connection of the globe. It means the PRC will be the largest 5G market in the world. In recent years, the PRC has continuously formulated relevant policies in support of the development of the 5G industry. The Group actively responses to the national call and deepens product innovation. In October 2019, IBO Communication and China Unicom System Integration Limited Corporation ("**Unicom**") , a wholly-owned subsidiary of China United Network Communications Company Limited ("**China Unicom**"), entered into a contract in relation to "5G Network Construction Project in the Shili Dong'An Community in Heyuan City" to construct a dedicated 5G network for the Shili Dong'an community in Heyuan City developed by Guangdong Dong'an Industrial Company Limited* (廣東東岸實業有限公司). In November 2019, IBO Communication signed the 5G networking services agreements with Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital for the purpose of facilitating the construction of 5G communication infrastructure for remote medical services. In December 2019, IBO Communication and Yangchun Health Bureau* (陽春市衛生健康局) entered into a memorandum of understanding which promoted in-depth application of 5G technology in the smart healthcare industry and medical association in Yangchun.

* *For identification purpose only*

# CHAIRMAN'S STATEMENT

In February 2020, IBO Telecom Company Limited, a subsidiary of the Company, and Bit One Group Company Limited ("**Bit One**", a company whose shares are listed on the Second Section of the Tokyo Stock Exchange (Stock Code: 2338)) entered into a memorandum of understanding, pursuant to which, both parties intend to form a joint venture company to engage in the provision of 5G core equipment and services to medical institutions in the PRC and the distribution of 5G core equipment in Japan. In June 2020, the Company and Wafer Systems Limited ("**Wafer Systems**") reached an agent cooperation agreement for 5G pico base stations series products in respect of the issues related to Wafer Systems's promotion and sales of 5G pico base station related products provided by IBO Communication, which authorised the products to be exclusively sold by Wafer Systems to telecommunication operators in Sichuan Province. In the same month, IBO Information and Eternal Asia Supply Chain Management Ltd. ("**Eternal Asia Supply Chain**") entered into a strategic cooperation agreement to establish an in-depth strategic partnership in respect of the provision of the supply chain platform services for 5G small (pico) base stations series products and indoor coverage system by Eternal Asia Supply Chain to IBO Information.

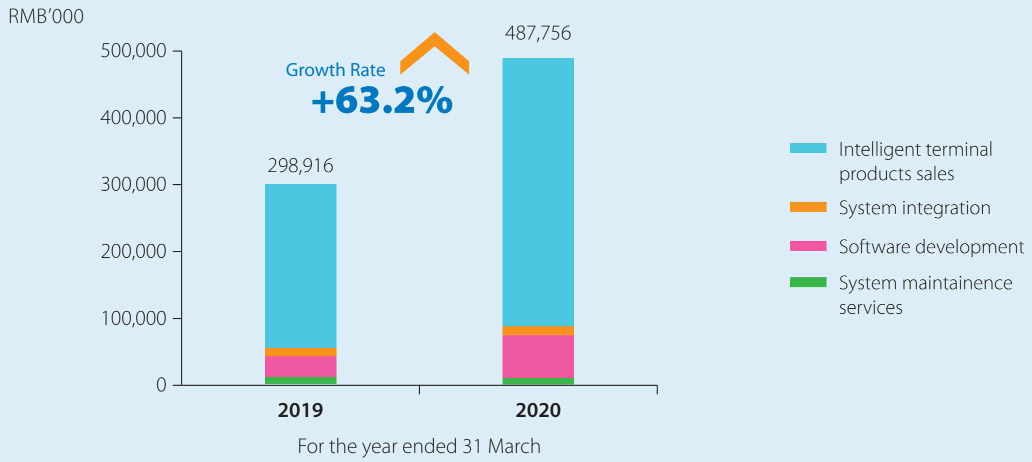
At last, I would like to express my most sincere gratitude to the Board, the management team, all our staff as well as the business partners and shareholders who accompany us along the way for their support. Though there is still a long way to go, we will put all our efforts to reach our final destination. In the future, we will continue to do our utmost endeavour to provide our customers with the best quality technology and products, and attempt to withstand hardships and stand out in the tide of times.

**Mr. Lai Tse Ming**
*Chairman & Executive Director*

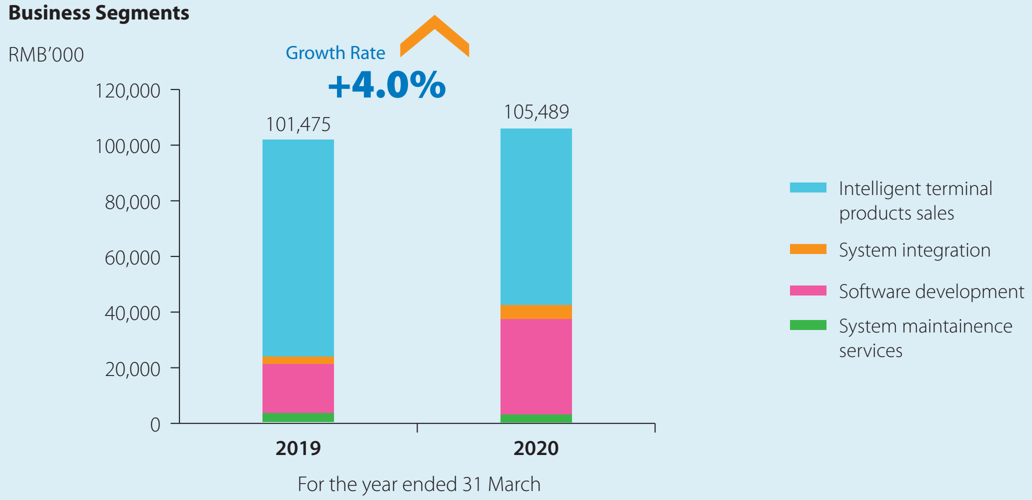
Hong Kong, 29 June 2020

# FINANCIAL HIGHLIGHTS

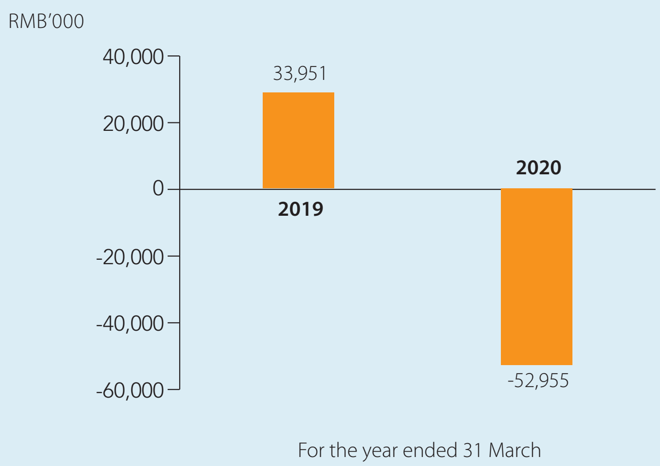
**Revenue by Business Segments**




**Gross Profit by Business Segments**




**Profit/loss attributable to owners**



## 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 mainly engages in four areas, namely (i) intelligent terminal products sales; (ii) system integration; (iii) software development; and (iv) system maintenance services. The customers of the Group are primarily from both the public and private sectors in the PRC, such as the PRC governmental authorities, large-scale state-owned enterprises and private enterprises.

Revenue breakdown by business segments:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Intelligent terminal products sales | **401,223** | **82.3** | 245,198 | 82.0 |
| System integration | **13,893** | **2.8** | 12,141 | 4.1 |
| Software development | **63,297** | **13.0** | 31,341 | 10.5 |
| System maintenance services | **9,343** | **1.9** | 10,236 | 3.4 |
| Total | **487,756** | **100.0** | 298,916 | 100.0 |

### Intelligent terminal products sales

During the Year, the Group was committed to developing, producing and selling customised IoT intelligent terminal products to its customers. Since the gradually increasing demand in the field of intelligent IoT in the PRC has driven the rapid growth of the Group's intelligent terminal products sales business in recent years, the revenue for the Year amounted to approximately RMB401.22 million (2019: approximately RMB245.20 million), representing an increase of approximately 63.6% as compared with last year and accounting for 82.3% of total revenue of the Group, which in turn provided a strong support for the significant growth of the Group's total revenue.

During the Year, the Group's major customers included (i) a Beijing-based technology company mainly engaged in the IoT business (to which the Group sold electronic products, such as compound intelligent tags, passive-tagged addressing software, epoxy passive tags and MOBU tags); (ii) a Tianjin-based technology company (to which the Group sold electronic products, such as RF data transmission modules, storage modules, traffic acquisition modules and communication modules, antennas for microwave readers, ETC-MOBU active electronic tags and hosts of free-flow microwave readers; and (iii) a Shenzhen-based technology company (to which the Group sold electronic products, such as data centre switches, OTN equipment and centrally-controlled multi-service fusions).

### System integration

Based on analysis and assessment of customers' needs, the Group provides comprehensive and tailor-made system solutions to its customers by applying IoT and related technologies, 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 Year, the revenue from the system integration business of the Group recorded a growth of approximately 14.4% as compared with last year to approximately RMB13.89 million (2019: approximately RMB12.14 million), accounting for 2.8% of total revenue of the Group.

During the Year, the Group's major customer included a Beijing-based technology company mainly engaged in the IoT business, for which the Group developed the "Cloud Security Integrated Monitoring and Management System", aiming at completing the system's demand analysis, design, coding and testing. All source codes, installation disks, technical documentations, user guides, operating manuals, installation guides and test reports are required to be delivered to the customer.

During the Year, the Company indirectly held 51.7321% ownership of Weitu Group, which brought system integration business income to the Group. Its main customer included a Shenzhen-based company that provides information services, to which Weitu Group provided system integration services under the "Building Visualisation Integration Platform Project".

### Software development

In line with the business and management requirements of its customers, the Group plans and designs the software system framework and function list for them in order to provide customised software application development services. During the Year, the revenue from the software development business of the Group recorded a consideration growth of approximately 102.0% as compared with last year to approximately RMB63.30 million (2019: approximately RMB31.34 million), accounting for 13.0% of total revenue of the Group.

During the Year, the Group's major customers included (i) a Heyuan-based real estate company, for which the Group developed the "Smart Site Information Management System" that consists of eleven sub-systems, namely system management, information release, basic information, personnel management, equipment management, project management, excavation detection management, terminal binding, data display, big data board and communication service; (ii) a Beijing-based electronics company, for which the Group developed the "Upgrade and Detection System for IoT Radio Frequency Module Products"; (iii) a Beijing-based technology company, for which the Group developed the "Roadside Parking Operation Management Platform"; and (iv) a Tianjin-based technology company, for which the Group development the "Smart Energy Conservation Management System".

During the Year, the Group indirectly held 51.7321% ownership of Weitu Group, which brought considerable software development business income to the Group. The major customers in the software development business of Weitu Group included (i) a Shenzhen-based technology company, for which Weitu Group developed the "Smart Campus Security Management Project", including a campus security integrated prevention and control cloud platform system and 3D visualisation platform; and (ii) a Beijing-based company that organises cultural and artistic exchange activities, for which Weitu Group developed the "Smart Park Integrated Management Platform", including a park IoT integration and interconnection platform and smart park integrated operation management platform.

### System maintenance services

The Group provides system maintenance services for both software and hardware of information systems encompassing maintenance and management for system devices, database maintenance, daily monitoring on the systems and system upgrades. During the Year, the system maintenance services business of the Group generally remained stable with a realised revenue of approximately RMB9.34 million (2019: approximately RMB10.24 million), representing a decrease of approximately 8.8% as compared with last year and accounting for 1.9% of total revenue of the Group.

During the Year, the major system maintenance services of the Group included provision of information system maintenance services to a PRC state-owned petroleum company, which involved the 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 63.2% to approximately RMB487.76 million during the Year as compared with last year (2019: approximately RMB298.92 million), which was mainly attributable to a robust growth in revenue from the intelligent terminal products sales business and software development business by approximately 63.6% and 102.0% respectively as compared with last year. For the intelligent terminal products sales, the Group's sales of electronic products to a Beijing-based technology company mainly engaged in the IoT business recorded a significant growth and there was also a newly secured customer, who is a technology company, located in Tianjin this Year to which the Group sold electronic products. For the software development, there were newly secured customers in Heyuan, Beijing and Tianjin this Year for which the Group developed different management systems or platforms, including companies engaged in the real estate, electronics and technology businesses respectively. During the Year, the Company indirectly held 51.7321% ownership of Weitu Group, which brought system integration business income and considerable software development business income to the Group.

### Gross profit and gross profit margin

The Group's gross profit increased by 11.8% to approximately RMB113.30 million for the Year (2019: approximately RMB101.30 million), which was mainly attributable to a significant increase in the overall revenue driven by a robust growth in revenue from the intelligent terminal products sales business and software development business. The gross profit margin decreased by 10.7 percentage points to 23.2% as compared with last year (2019: 33.9%), which was mainly due to (i) the completion of acquisition of Weitu Group by the Company in January 2019 and the amortisation expense associated with intangible assets arising from acquisition of Weitu Group, which was only calculated for two months in 2019, being calculated for the entire Year; and (ii) provision of products by the Group at a cheaper price in order to attract customers and maintain long-term and good relationships with some of the major customers.

### Other income

The Group's other income for the Year included (i) interest income from bank deposits; (ii) rental income; and (iii) government grants. Other income decreased by 20.6% to approximately RMB4.51 million for the Year (2019: approximately RMB5.68 million) and such change was mainly due to the decrease in government grants for the Year.

## Other gains and losses

The Group's other net losses amounted to approximately RMB56.21 million for the Year (2019: other net gains of approximately RMB3.68 million) and such change was mainly due to (i) the net exchange losses recorded during the Year as compared with the net exchange gains recorded for 2019; (ii) the losses incurred for the movement of fair values of investment properties and financial assets during the Year as compared with gains incurred for the movement of the relevant fair values in 2019; and (iii) the losses incurred for the movement of fair value of convertible bonds as well as the impairment loss of goodwill (the "**Impairment I**") and the impairment loss of interest in an associate (the "**Impairment II**") as compared with no such expenses incurred in 2019. The Impairments were mainly due to the outbreak of the novel coronavirus pneumonia epidemic during the Year, which led to a significant slowdown in the PRC and global economy. The management reduced its revenue and earnings target after it re-examined the earnings forecast used to calculate the fair values of goodwill and interest in an associate, and the Impairment I was also due to the fact that the revenue of the system integration business (Unit A) of Weitu Group did not meet the expected target for the Year.

The Company recorded the Impairment I and the Impairment II of RMB20.53 million and RMB14.46 million respectively for the Year. The Bright Leap Acquisition (as defined below, for further details, please refer to the section headed "The allotment and the issue of the Consideration Shares" in this report below) and the Good Cheer Acquisition (as defined below, for further details, please refer to the section headed "Material acquisition and disposal of subsidiaries and affiliated companies — Material acquisition completed during the Year" in this report below) (collectively, the "**Acquisitions**") relate to the Impairment I and Impairment II respectively.

Prior to the Bright Leap Acquisition, the Company has acquired understanding of the corporate background, core team, development history, product value (especially its SaaS cloud services and integrated solutions), software copyright, market value (key business direction and market prospects), business model, profit model, marketing model, research and development results, market promotion model, customer relationship and business development of Weitu Group. The Company has also discussed the current status and scale of the industry where Weitu Group belongs to, the position of Weitu Group in the industry, market planning and market capacity analysis, competitor analysis and competitive advantage. The Company has also engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited to provide market valuations of Weitu Group. The market value of 100% equity interest of Weitu Group as at 31 July 2018 was developed through the application of a market approach. Guaranteed profit of the Bright Leap Acquisition for the year ended 31 March 2019 has achieved. Guaranteed profit of the Bright Leap Acquisition for the year ended 31 March 2020 is expected to achieve according to the management accounts of Weitu Group. Please refer to the section headed "The allotment and the issue of the Consideration Shares" in this report below for the achievement of the guaranteed profits of the Bright Leap Acquisition.

Prior to the Good Cheer Acquisition, the Company has acquired understanding of the basic business, capital structure, equity structure, organisational structure, core team, human resources, major fixed assets, intangible assets, qualification, certification and other basic information, as well as its principal business and products, business model, profit model, performance review, future plans and business promotion of Tongtianhui (as defined below). The Company has also discussed the overview and analysis of the industry where Tongtianhui belongs to, market pain points, market opportunities, market size calculation and competitor analysis. The Company has also engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited to provide market valuations of Tongtianhui. The market value of 100% equity interest of Tongtianhui as at 1 March 2019 was developed through the application of a market approach.

In addition to the above, the Company has conducted legal due diligence and financial due diligence for the Acquisitions:

**Legal due diligence**

- Performed site visit and attended management's presentation to understand its business model and key project development platform;

- Conducted interviews with key management to understand the operational aspects of Weitu Group and Tongtianhui, such as project development process, business qualifications, customer relationship and human resources, etc.;

- Obtained and reviewed Weitu Group and Tongtianhui's materials for legal due diligence, including industrial and commercial materials, business qualifications, intellectual property rights, business contracts, claims and debts, human resources, etc.; and

- Analysed major legal issues of Weitu Group and Tongtianhui and provided the relevant rectification schemes.

**Financial due diligence**

*For Weitu Group:*

- Performed site visit and attended management's presentation to understand its business model and key project development platform;

- Conducted interviews with key management to understand the operational aspects of Weitu Group, such as project development process, customer relationship and human resources, etc.;

- Obtained and analysed management accounts and enquired management about the reasons and nature for key fluctuations and balances; and

- Inspected supporting documents such as samples of memorandum of understanding and contracts with key customers.

*For Tongtianhui:*

- Performed site visit and attended management's presentation to understand its business model;

- Conducted interviews with key management to understand the operational aspects of Tongtianhui, such as customer base, pricing policy and human resources, etc.;

- Accessed the back-end system to view sample records of the customer base;

- Obtained and analysed management accounts and enquired management about the reasons and nature for key fluctuations and balances; and

- Inspected supporting documents such as samples of customer contracts.

The Board believes that the financial and legal due diligences have ensured that Weitu Group and Tongtianhui do not have significant financial and legal risks. The Company's corporate background knowledge, market analysis and the market value assessment report of Weitu Group and Tongtianhui show that both of them have development prospects and have provided a basis for the Acquisitions' considerations. For the above reasons, the Board considers that financial and legal due diligence, the Company's understanding of Weitu Group and Tongtianhui's corporate background and market analysis, as well as the market value assessment report from the independent valuer have provided a sufficient and reasonable basis for the Company to conduct the Acquisitions.

In preparing the forecast of Weitu Group, we have separated two segments based on their business nature: system integration business (Unit A) and software development business (Unit B).

Due to the complexity of system integration business (Unit A) compared to software development business (Unit B), its customers, which are primarily state-owned enterprises, need to take longer time than expected to complete internal approval procedures of respective projects. Therefore, projects that are included in the memorandum of understanding signed during the first half of 2019 were postponed and only confirmed until late 2019 or early 2020. Coincidentally, the outbreak of COVID-19 in late 2019/early 2020 further suspended the signing of the already delayed system integration business (Unit A) projects. Thus, revenue of system integration business (Unit A) was substantially lower than expected in the Year.

In addition, some system integration business (Unit A) customers encountered internal issues such as restructuring or shift of market tactics, which resulted in deferring the signing of contracts. This also contributed to the low revenue of system integration business (Unit A).

Also, due to the outbreak of COVID-19, the customers of system integration business (Unit A), which are primarily state-owned enterprises, became more conservative when undertaking new projects. We also noticed that state-owned enterprises intended to put "medical" and "emergency" projects in higher priority in response to government recommendation rather than system integration business (Unit A) projects. Therefore, for the sake of prudence, we have adjusted the expectation of system integration business (Unit A) downward accordingly, which resulted in the Impairment I.

We noticed that all of the education institutions have been temporary closed until mid-2020, and some of them were even bankrupted during this period since the first appearance of COVID-19 in late 2019/early 2020. We believe that this such negative impact will continue to directly affect Tongtianhui's business throughout the next financial year in short term.

For a long-term perspective, we believe the terminal market size will become smaller than we originally expected, as more education institutions with less resistance to economic stress will be eventually eliminated from the market due to the potential economic downturn following COVID-19. A smaller terminal market size will affect Tongtianhui's business level especially during the mature stage in later years.

Given the above, we revised downward of Tongtianhui's forecast, which resulted in the Impairment II.

The abovementioned factors, events and situations resulting in the Impairments, which occurred during the Year, were not expected to occur when the Company conducted the Acquisitions. The Company has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited to provide market valuations at the time of the Acquisitions that provided a basis for the Acquisitions' considerations as disclosed above. The Company has determined the amounts of the Impairments for the Year during the annual impairment test.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited prepared a valuation for assessing the Impairments for the Year.

Impairment test on goodwill has been performed as at 31 March 2020, and the values in use of two cash-generating units (the "**Impairment I Subject**"), namely system integration business (Unit A) and software development business (Unit B), were developed through the application of an income approach technique known as the discounted cash flow method.

The discount rate for the Impairment I Subject is its weighted average cost of capital ("**Impairment I WACC**"). Risk factors relevant in the determination of Impairment I WACC include interest rate risk, liquidity risk, market risk and company specific risk. There is no significant difference between the discount rate adopted in this valuation assignment and the discount rate adopted in the valuation assignment as at 31 March 2019 performed by Asset Appraisal Limited (中誠達資產評值顧問有限公司).

The following table give information of the key inputs for the valuation assessment in relation to the Bright Leap Acquisition:

| | Key inputs for the valuation assessment in relation to the Bright Leap Acquisition as at | | |
|---|---|---|---|
| **Parameter** | **31 March 2020** | 31 March 2019 | 24 January 2019 (the date of completion of the Bright Leap Acquisition) |
| Revenue Growth Rate for Unit A | **(-13.2%)–55.2%** | 2.00%–81.21% | 2.00%–81.21% |
| Revenue Growth Rate for Unit B | **(-2.0%)–41.7%** | 2.00%–916.77% | 2.00%–916.77% |
| Terminal Growth Rate for Unit A and Unit B | **3.00%** | 2.00% | 2.00% |
| Risk Free Rate | **2.59%** | 3.07% | 3.13% |
| Market Premium | **7.15%** | 11.09% | 11.09% |
| Discount Rate for Unit A (Post-Tax) | **27.81%** | 25.11% | 25.73% |
| Discount Rate for Unit B (Post-Tax) | **25.94%** | 25.11% | 25.73% |

The financial forecast is principally driven by the annual sales targets and supported by memorandums of understanding signed with key customers covering recent years, adopting a gross profit margin by referring to the historical pattern and latest market conditions. In addition, a ratio is adopted to split the annual sales targets between system integration business (Unit A) and software development business (Unit B) by considering market trend and outlook.

As disclosed above, the Impairment I is mainly due to the reduction of revenue estimation of system integration business (Unit A) as compared to that previously adopted. The reduction of revenue estimation of system integration business (Unit A) is attributable to the change in customers' preference for project priority.

The Board considers that the Impairment I is fair and reasonable.

The fair value of 100% equity interest of Good Cheer (the "**Impairment II Valuation Subject**") is developed through the application of a cost approach technique known as summation method. Under the summation method, each identifiable asset and liability of Good Cheer Ventures Limited ("**Good Cheer**") is being valued using the appropriate valuation approaches, and our opinion of value of the Impairment II Valuation Subject is derived by adding component assets and deducting component liabilities.

Good Cheer indirectly holds 96.7742% equity interest of Tongtianhui (the "**Impairment II Subject**").

The Impairment II Subject is developed through the application of an income approach technique known as discounted cash flow method.

The discount rate for the Impairment II Subject is its weighted average cost of capital ("**Impairment II WACC**"). Risk factors relevant in the determination of Impairment II WACC include interest rate risk, liquidity risk, market risk and company specific risk.

The following table give information of the key inputs for the valuation assessment in relation to the Good Cheer Acquisition:

| | Key inputs for the valuation assessment in relation to the Good Cheer Acquisition as at | |
|---|---|---|
| **Parameter** | **31 March 2020** | 31 October 2019 (the date of completion of the Good Cheer Acquisition) |
| Revenue Growth Rate | **30.56%–300.00%** | 75.41%–723.00% |
| Terminal Growth Rate | **3.00%** | 3.00% |
| Risk Free Rate | **2.59%** | 3.27% |
| Market Premium | **7.15%** | 6.91% |
| Discount Rate (Post-Tax) | **23.40%** | 22.03% |

The financial forecast is mainly based on our estimation of number of education institutions subscribing our services over the forecast years developed from our sales plan and latest market conditions, multiplying by different pricing plans with reference to historical pricing strategy and latest market outlook. Major expenses such as selling expenses and staff costs are estimated according to the resources needed to achieve the above sales targets.

As disclosed above, the Impairment II is caused by lowering the estimation of number of education institutions subscribing our services over the forecast years in our latest forecast, which results from continuous short-term impact from COVID-19 plus shrinkage in the terminal market size.

The Board considers that the Impairment II is fair and reasonable.

## Share of loss of an associate

The Group's share of loss of an associate was approximately RMB0.23 million for the Year (2019: Nil), which was related to the loss attributable to the Good Cheer Acquisition. For further details, please refer to the section headed "Material acquisition and disposal of subsidiaries and affiliated companies — Material acquisition completed during the Year" in this report below.

## Impairment losses under ECL model, net of reversal

The Group's impairment losses under ECL model, net of reversal were approximately RMB7.81 million for the Year (2019: reversal of impairment losses, net of reversal of approximately RMB0.17 million), including changes in expected credit losses during the Year for trade receivables, other receivables, contract assets and other financial assets.

## Distribution and selling expenses

The Group's distribution and selling expenses increased by 77.6% to approximately RMB5.54 million for the Year (2019: approximately RMB3.12 million), which was mainly due to (i) the fact that more sales personnel are required to explore the market since IBO Information Technology has just commenced its business and most of its customers are educational institutions; and (ii) the completion of acquisition of Weitu Group by the Company in January 2019 and the related distribution and selling expenses arising from acquisition of Weitu Group, which were only calculated for two months in 2019, being calculated for the entire Year.

## Administrative expenses

The Group's administrative expenses increased by 36.7% to approximately RMB71.88 million for the Year (2019: approximately RMB52.58 million), which was mainly due to (i) the passing of a resolution in respect of granting 20,000,000 share options to each of Mr. Lai and Ms. Cheng Yan (程雁) ("**Ms. Cheng**") at the extraordinary general meetings held on 17 May 2019 and 15 October 2019 and the significant increase in the Group's staff cost (including share option expenses) resulting from the appointment of Ms. Cheng as an executive Director and vice chairperson by the Company on 7 August 2019; and (ii) the completion of acquisition of Weitu Group by the Company in January 2019 and the related administrative expenses arising from acquisition of Weitu Group, which were only calculated for two months in 2019, being calculated for the entire Year.

## Finance costs

The Group's finance costs increased by 269.6% to approximately RMB10.35 million for the Year (2019: approximately RMB2.80 million), which was mainly due to the increase in interest expenses for the Year resulting from the increase in outstanding aggregate principle amount of bonds as compared to last year and placing of convertible bonds by the Group during the Year (please refer to the section headed "Capital structure, liquidity and financial resources" in this report below for details).

## Research and development expenses

The Group's research and development expenses decreased by 27.4% to approximately RMB3.86 million for the Year (2019: approximately RMB5.32 million), which was mainly due to the allocation of related research and development expenses to the item to which it belongs and the inclusion of such expenses in cost of sales and services rendered.

## Income tax expense

The Group's income tax expense was generally stable for the Year, with a slight increase of 0.1% to approximately RMB12.07 million (2019: approximately RMB12.06 million). The Group's loss before taxation for the Year was approximately RMB38.07 million (2019: profit before taxation of approximately RMB47.00 million, with effective tax rate of approximately 25.7%). Since the Company and its subsidiaries paid their taxes according to their own financial conditions, the losses of certain subsidiaries increased during the Year but did not reduce the tax burden of the subsidiaries that were subject to tax.

## Loss attributable to owners for the Year

As a result of the foregoing, the Group's loss attributable to owners of the Company amounted to approximately RMB52.96 million for the Year (2019: profit attributable to owners of the Company of approximately RMB33.95 million) and such change was mainly due to (i) the decrease in gross profit margin; (ii) other net losses recorded for the Year as compared with other net gains recorded for 2019; and (iii) the increases in impairment losses, net of reversal, distribution and selling expenses, administrative expenses and finance costs for the Year.

## Capital structure, liquidity and financial resources

The Group has adopted a strict financial management policy, and its financial position remained sound. As at 31 March 2020, the Group's net current assets were approximately RMB283.99 million (31 March 2019: approximately RMB227.06 million).

As at 31 March 2020, the Group's bank balances and cash were approximately RMB69.18 million (31 March 2019: approximately RMB61.68 million) and pledged bank deposits were approximately RMB2.19 million (31 March 2019: Nil). The current ratio (a ratio of current assets to current liabilities) was approximately 2.3 times (31 March 2019: approximately 2.5 times).

As at 31 March 2020, the Group's total bank borrowings were approximately RMB21.05 million (31 March 2019: approximately RMB25.63 million).

The Company issued bonds in the aggregate principal amount of HK$43,600,000 for the Year (2019: HK$34,600,000). On 31 March 2020, the outstanding aggregate principal amount of bonds was HK$78,200,000 (31 March 2019: HK$34,600,000). The bonds are transferable subject to the consent from the Company. The bonds will become due on the first to third anniversary of the issue date of the bonds. The bonds bear interest at a rate of 6% to 7% per annum, payable annually in arrears. Such proceeds will be used for general working capital of the Group.

The Company completed the placing of convertible bonds in the aggregate principal amount of HK$53,540,000 for the Year (2019: Nil). On 31 March 2020, the outstanding aggregate principal amount of convertible bonds of the Company was HK$50,063,000 (31 March 2019: Nil). For details, please refer to the two sections headed "Report of the Directors - Equity-linked Agreements - Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under General Mandate" and "Report of the Directors - Equity-linked Agreements - Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under General Mandate" below in this report.

As at 31 March 2020, the authorised share capital of the Company was HK$10 million divided into 1,000,000,000 Shares of HK$0.01 each and the issued share capital of the Company was approximately HK$4.1303 million divided into 413,027,509 Shares of HK$0.01 each.

## Gearing ratio

As at 31 March 2020, the Group's gearing ratio (calculated by dividing total borrowings (including bank borrowings, bonds payables and convertible bonds) by total equity) was approximately 51.6% (31 March 2019: approximately 17.9%).

## Capital expenditure

During the Year, the Group's capital expenditure increased by 61.5% to approximately RMB9.85 million (2019: approximately RMB6.10 million), which was mainly used for transportation equipment, leasehold improvements, furniture, office equipment and development cost.

## Capital commitment

As at 31 March 2020, the Group had no significant capital commitment (31 March 2019: 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 any foreign currency hedging policy. The Directors will monitor foreign exchange exposure closely and consider the use of hedging instruments when necessary.

## Contingent liabilities

As at 31 March 2020, the Group had no significant contingent liabilities (31 March 2019: Nil).

## Pledge of the Group's assets

As at 31 March 2020, all of the Group's bank deposits and investment properties have been pledged to secure banking facilities granted to the Group.

As at 31 March 2019, 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 acquisition completed during the Year**

On 17 April 2019, Wonderful Splendor Limited ("**Wonderful Splendor**"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Assemble Bliss Limited ("**Assemble Bliss**"), pursuant to which Assemble Bliss has conditionally agreed to sell and Wonderful Splendor has conditionally agreed to purchase the sale shares, representing 15% of the issued share capital of Good Cheer at the consideration of RMB22,470,000 (equivalent to approximately HK$26,265,183) (the "**Good Cheer Acquisition**").

Good Cheer indirectly holds 96.7742% of the issued share capital of Shenzhen Tongtianhui Technology Company Limited* (深圳市童天慧科技有限公司, "**Tongtianhui**"). The Good Cheer Acquisition was completed in October 2019.

Tongtianhui owns and operates a one-stop education technology service platform in the PRC, which utilises technology such as cloud computing, IoT, big data research results and artificial intelligence etc. to provide more comprehensive solutions for its customers, such as education institutions and/or individual education service providers to achieve precise matching between its customers and its online platform user, mainly the parents in the PRC, with demand of education services for their children. Tongtianhui has served over 600 education institutions and/or individual education service provider customers spanning over 6 segments in education including dancing, art, calligraphy, music, sports and kid-level computer programming. As at 31 March 2019, the online education platform of Tongtianhui had over 500,000 subscribers and over 100,000 average monthly active users.

The PRC government has promulgated a series of stimulus policies and regulations to promote the education industry for the recent years, such as the 13th Five Year Plan for Education Technology* (《教育信息化「十三五」規劃》) issued by the Ministry of Education of the PRC which emphasises the need to promote quality education and accelerate the development in education technology. According to study of the independent internet consultancy iiMedia Research Group, the online education market in the PRC has achieved total sales revenue of RMB281 billion in 2017 and is expected to exceed RMB433 billion by 2020, representing a compound annual growth rate of approximately 15.5%; while the number of online education users is expected to reach 296 million in 2020, representing a compound annual growth rate of approximately 25.2% comparing to the number of online education users of 151 million in 2017.

The Directors believe the Good Cheer Acquisition could provide synergy effect in technology to the Group as well as the Tongtianhui. Considering the extensive experience of the Group in technology development such as IoT, artificial intelligence, big data, cloud computing, etc., the appliance of such technology in the education industry could capture huge revenue from the market. Also, the management team of the Tongtianhui has extensive experience in providing technology services in the education industry, and has developed a business model with great development potential.

The Group, by investing in Tongtianhui, could leverage on its advantages in the technology development and provide relevant technical support to the Tongtianhui, which in turn further enhance its research and development in technological capabilities and thereby improving its market competitiveness and realising the rapid development in business as well as the expansion in market coverage.

* *For identification purpose only*

The Directors also believe the Good Cheer Acquisition could enable the Group to enter the education industry in a more efficient way in order to achieve expansion of business, and at the same time achieve investment gain through the rapid growing trend of the Tongtianhui.

Further details are set out in the announcements of the Company dated 5 March 2019, 17 April 2019 and 25 September 2019.

**Material disposal**
During the Year, the Group did not have any material disposal of subsidiaries or associates.

## The allotment and the issue of the Consideration Shares

On 13 September 2018, Upright Joy Limited (正喜有限公司, "**Upright Joy**"), a wholly-owned subsidiary of the Company:

(1) entered into a sale and purchase agreement with Wisdom Galore Limited ("**Wisdom Galore**"), pursuant to which Wisdom Galore has conditionally agreed to sell and Upright Joy has conditionally agreed to acquire 47% of the issued share capital of Bright Leap Limited (明躍有限公司, "**Bright Leap**"), which shall be settled by (i) RMB27,520,000 in cash; and (ii) the allotment and issuance of up to 27,318,773 Consideration Shares based on the Issue Price of HK$2.0 under the General Mandate by the Company to Wisdom Galore. The Consideration Shares may be adjusted under the guaranteed profit arrangement. On 20 September 2018, Upright Joy entered into a sale and purchase supplemental agreement with Wisdom Galore to amend and clarify certain formulas relating to the adjustment mechanism for the Consideration Shares; and

(2) entered into a sale and purchase agreement with Thriving Ascend Limited ("**Thriving Ascend**"), pursuant to which Thriving Ascend has conditionally agreed to sell and Upright Joy has conditionally agreed to acquire 4.7321% of the issued share capital of Bright Leap at the consideration of RMB7,571,360 (equivalent to approximately HK$8,676,021), which shall be settled by cash in full (the "**Bright Leap Acquisition**").

Weitu Group is indirectly and wholly-owned by Bright Leap. The Bright Leap Acquisition was completed in January 2019.

The Directors consider that the Bright Leap Acquisition would create cross-selling business opportunities as the Group and Weitu Group both target the same group of clients serving the government, enterprises and institutions. It is expected that the Group and Weitu Group could introduce clients 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 Bright Leap Acquisition.

Weitu Group also has a professional team comprising 28 professionals experienced in research and development of geographic information system in over 26 subfields. The Bright Leap Acquisition would enable the Company and Weitu Group to provide more comprehensive solutions to their clients 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 Bright Leap Acquisition, including the business prospects and the business synergies, the Board regards that the Bright Leap Acquisition is in the interests of the Company and the Shareholders as a whole.

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 the 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, village house 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 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.

Pursuant to the sale and purchase agreement entered into between the Company and Wisdom Galore, Wisdom Galore, Bright Leap and Mr. Ke Chengwei (the guarantor) have made, guaranteed and promised, among other things, that the guaranteed profit for the year ended 31 March 2019 shall not be less than RMB10,000,000 (the "**First Year Guaranteed Profit**"), respectively.

The audited total profit of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong and Weitu Group for the year ended 31 March 2019 exceeded the First Year Guaranteed Profit. Under the relevant Consideration Shares adjustment mechanism, 10,927,509 Consideration Shares of the First Year Guaranteed Profit have been allotted and issued to Wisdom Galore pursuant to the General Mandate on 17 September 2019. Further details, including the details of the Consideration Shares adjustment mechanism, are set out in the announcements of the Company dated 13 September 2018, 21 September 2018 and 17 September 2019.

Pursuant to the sale and purchase agreement entered into between the Company and Wisdom Galore, Wisdom Galore, Bright Leap and Mr. Ke Chengwei (the guarantor) have made, guaranteed and promised, among other things, that the guaranteed profit for the year ended 31 March 2020 shall not be less than RMB20,000,000 (the "**Second Year Guaranteed Profit**"), respectively.

The audited total profit of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong and Weitu Group for the year ended 31 March 2020 (the "**Second Year Actual Profit**") is expected to exceed the Second Year Guaranteed Profit. Under the relevant Consideration Shares adjustment mechanism, 8,195,632 Consideration Shares (the "**Second Year Consideration Shares**") of the Second Year Guaranteed Profit will be allotted and issued to Wisdom Galore pursuant to the General Mandate if the Second Year Actual Profit exceeds the Second Year Guaranteed Profit. The Second Year Consideration Shares are expected to be allotted and issued in the third quarter of 2020. Announcement will be made for the allotment and issuance of the Second Year Consideration Shares.

## Significant investment

The Group did not have any significant investment during the Year (including any investment in an investee company, which accounted for 5% or more of the Group's total assets as at 31 March 2020).

## Future plans for significant investments and capital assets

The Group is currently exploring and identifying investment and acquisition business opportunities in the IoT market and 5G-related industries, and it is expected to use internal resources as capital funding for business expansion.

### Employee and remuneration policy

As at 31 March 2020, the Group employed a total of 268 employees (31 March 2019: 257 employees). For the Year, staff costs (including Directors' emolument) were approximately RMB55.21 million (2019: approximately RMB37.14 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 the 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 Group also ensures that employees could have sufficient training and on-going professional and development opportunity based on their individual needs. A share option scheme (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. On 17 February 2019, the Company proposed to grant a total of 20,000,000 share options to the Company's executive Director, the chairman of the Board and the controlling Shareholder, Mr. Lai Tse Ming pursuant to the Share Option Scheme, which had been approved by the independent Shareholders on 17 May 2019.

## MAJOR AWARDS AND CERTIFICATES

| Accreditation & Certificates | Details | Time of awarding/Valid duration for Awarding | Accredited/ Certified by |
|---|---|---|---|
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Intelligent Fire-fighting Cloud Platform V1.0 by IBO Information | 24 April 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for IBO Configuration Tool Applet Software V1.0 by IBO Information | 24 April 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Liquid-level Monitoring Embedded Software V1.0 by IBO Information | 24 April 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Parking Space Monitoring Equipment Embedded Software V1.0 by IBO Information | 24 April 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Personnel Monitoring Equipment Embedded Software V1.0 by IBO Information | 24 April 2019 | National Copyright Administration of the PRC |
| Certificate of Utility Model Patent | IBO Information is granted a patent regarding Intelligent Parking Management System | 21 May 2019 | National Intellectual Property Administration |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Integrated Pipeline Operations Management System V1.0 by Yunwei Network | 30 May 2019 | National Copyright Administration of the PRC |

* *For identification purpose only*

| Accreditation & Certificates | Details | Time of awarding/Valid duration for Awarding | Accredited/ Certified by |
|---|---|---|---|
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Integrated Pipeline Health Assessment System V1.0 by Yunwei Network | 30 May 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Integrated Pipeline Monitoring Centre System V1.0 by Yunwei Network | 30 May 2019 | National Copyright Administration of the PRC |
| Certificate of Promise-keeping | IBO Information is accredited as a 2018 Guangdong Province Enterprise of "Observing Contract and Valuing Credit" | June 2019 | Market Supervision Administration of Shenzhen Municipality |
| Membership Certificate | IBO Information is admitted as a member of the Guangdong Public Security & Protection Technology Association | 12 July 2019 to 11 July 2020 | Guangdong Public Security & Protection Technology Association |
| Certificate of Invention Patent | IBO Information is granted a patent regarding the identification control equipment as well as the systems and methods based on its certification management of high pressure vessels | 30 July 2019 | National Intellectual Property Administration |
| Certificate of Utility Model Patent | IBO Information is granted a patent regarding the vehicle detection devices based on the dual-mode non-contact induction | 16 August 2019 | National Intellectual Property Administration |
| Honourable Certificate | Yunwei Network is awarded the Award of Excellence in the Enterprise Category at the "Longhua District Qualifier of the 11th China (Shenzhen) Innovation and Entrepreneurship Competition cum the 3rd Longhua District Innovation and Entrepreneurship Competition" | 9 September 2019 | Shenzhen Longhua District Science and Technology Innovation Bureau |
| Certificate of Utility Model Patent | IBO Information is granted a patent regarding the intelligent vehicle equipment and system | 13 September 2019 | National Intellectual Property Administration |
| Qualification Certificate in the Design, Construction and Maintenance | The design, construction and maintenance of Security & Protection Technology System of IBO Information being admitted as Grade IV | 18 September 2019 to 17 September 2021 | Security Technology Prevention and Management Office of Guangdong Public Security Department |

| Accreditation & Certificates | Details | Time of awarding/Valid duration for Awarding | Accredited/ Certified by |
|---|---|---|---|
| Environmental Management Systems Certificate | It is thereby proved that the Environmental Management System of IBO Communication complies with the requirements under (GB/T24001-2016/ ISO14001:2015)<br><br>The coverage of the Environmental Management System includes the research and development, sales and related management activities of signal amplifiers, communication wireless repeaters, optical fiber communication repeaters and radio frequency module of communication base station | 28 September 2019 to 27 September 2022 | Guangdong Quality Testing CTC Certification Co., Ltd. |
| Quality Management Systems Certificate | It is thereby proved that the Quality Management System of IBO Communication complies with the requirements under (GB/T19001-2016/ ISO9001:2015)<br><br>The coverage of the Quality Management System includes the research and development and sales of signal amplifiers, communication wireless repeaters, optical fiber communication repeaters and radio frequency module of communication base station | 28 September 2019 to 27 September 2022 | Guangdong Quality Testing CTC Certification Co., Ltd. |
| Occupational Health and Safety Management Systems Certificate | It is thereby proved that the Occupational Health and Safety Management System of IBO Communication complies with the requirements under (ISO45001:2018)<br><br>The coverage of the Occupational Health and Safety Management System includes the research and development, sales and related management activities of signal amplifiers, communication wireless repeaters, optical fiber communication repeaters and radio frequency module of communication base station | 28 September 2019 to 27 September 2022 | Guangdong Quality Testing CTC Certification Co., Ltd. |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Intelligent Hydraulic Gauge Embedded Software V2.0 by IBO Information Technology | 24 October 2019 | National Copyright Administration of the PRC |

| Accreditation & Certificates | Details | Time of awarding/Valid duration for Awarding | Accredited/ Certified by |
|---|---|---|---|
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Intelligent Liquid-level Gauge Embedded Software V2.0 by IBO Information Technology | 24 October 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Fire Safety Online Monitoring and Warning Management System V1.0 by IBO Information Technology | 24 October 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for AIF Safety Monitoring Cloud Software V1.0 by IBO Information Technology | 24 October 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Cattle Assistant Embedded Software V1.0 by IBO Digital | 8 November 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Cattle Industry Chain Big Data Service Operations Command Platform V1.0 by IBO Digital | 8 November 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Cattle Assistant Software V1.0 by IBO Digital | 8 November 2019 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Cattle Assistant Embedded Software V1.0 by IBO Digital | 8 November 2019 | National Copyright Administration of the PRC |
| High and New Technology Enterprise Certificate | IBO Information is recognised as a high and new technology enterprise | 9 December 2019 to 8 December 2022 | Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Bureau and Shenzhen Taxation Bureau of the State Taxation Administration |
| High and New Technology Enterprise Certificate | Weitu Technology is recognised as a high and new technology enterprise | 9 December 2019 to 8 December 2022 | Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Bureau and Shenzhen Taxation Bureau of the State Taxation Administration |
| Software Enterprise Certificate | Weitu Technology is accredited as a software enterprise | 30 December 2019 to 29 December 2020 | Shenzhen Software Industry Association |

| Accreditation & Certificates | Details | Time of awarding/Valid duration for Awarding | Accredited/ Certified by |
|---|---|---|---|
| Certificate of Utility Model Patent | IBO Information Technology is granted a patent regarding the fire safety online monitoring and warning management system | 31 December 2019 | National Intellectual Property Administration |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for WaytoGIS for Cesium 3D Earth Platform Software (hereunder referred to as: 3D Earth Platform Software) V1.0 by Weitu Technology | 8 January 2020 | National Copyright Administration of the PRC |
| Certificate of Design Patent | IBO Information is granted a patent regarding the intelligent vehicle terminal | 21 January 2020 | National Intellectual Property Administration |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for 5G Pico Base Station High-power Transmission Unit Embedded Software V1.0 by IBO Communication | 20 February 2020 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for 5G Pico Base Station Low-power Transmission Unit Embedded Software V1.0 by IBO Communication | 20 February 2020 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for 5G Pico Base Station Extension Unit Embedded Software V1.0 by IBO Communication | 20 February 2020 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for 5G Pico Base Station Online Management System Software V1.0 by IBO Communication | 20 February 2020 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for 5G Pico Base Station Baseband Host Embedded Software V1.0 by IBO Communication | 20 February 2020 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Intelligent Landscape 3D Visualisation Integrated Management Platform (hereunder referred to as: Landscape Visualisation Platform) V1.0 by Weitu Technology | 27 February 2020 | National Copyright Administration of the PRC |

## MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE YEAR

### Establishing Strategic Cooperation Relationship and Entering into Agreement for Construction of Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao with the Tongliao Agriculture and Livestock Bureau

On 10 June 2019, on the principle of "equal and mutual benefit, complementary advantages, mutual support, long-term cooperation, joint development" and with a view to fully utilise their respective advantageous resources and capability, facilitate continuous healthy growth of agriculture and livestock industry in Tongliao, speed up construction of "Digitalised ecology of smart agriculture and livestock industry in Tongliao", which includes connecting and consolidating each section along the chain ranging from breeding, fattening, feeds, veterinary medication, training for breeding techniques, slaughtering and processing, e-commerce, cold chain logistics to end consumption of beef cattle by way of digitalisation (such as the application of advanced technologies including Internet of Things, artificial intelligence, cloud computing, 5G, edge computing, etc.), as well as to invest and construct "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)" in agriculture and livestock industry in the counties of Tongliao City (the same below), the Company and the Tongliao Agriculture and Livestock Bureau (通遼市農牧局), competent department for agriculture and livestock industry of the Tongliao government, mutually decided to establish strategic cooperation relationship after comprehensive negotiation and has entered into a legally binding agreement, valid for ten years, in respect of construction of the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)" to realise digitalisation of agriculture and livestock industry in Tongliao through providing comprehensive support on related matters including implementation, operation and service provision.

The "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)" includes digitalisation projects for beef cattle industry, meat sheep industry and other livestock industries. As beef cattle industry is currently the leading industry in Tongliao, the parties will focus on cooperating to commence digitalisation project for beef cattle industry at the first stage of the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)". Digitalisation projects for the meat sheep industry and other livestock industries will be covered later based on modes of construction, implementation, operation and service provision of and experience in digitalisation project for beef cattle industry.

The Company will fully utilise technical edge in smart agriculture and livestock industry as well as its advantages and capability in consolidating financing and resources based on the requirement of construction of the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)". The Company plans to invest or procure investment of RMB1 billion or above in the next five to ten years to complete the construction of digitalised ecology of smart agriculture and livestock industry in Tongliao in order to realise the target of the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)". Accordingly, at the first stage of the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)" of two to three years, the Company plans to contribute approximately RMB90 million for the establishment and implementation of the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)", among which, approximately RMB50 million, approximately RMB35 million and approximately RMB5 million will be used on research and development, construction and implementation as well as project promotion and establishment of localised maintenance team respectively. Further details are set out in the announcement of the Company dated 10 June 2019.

* *For identification purpose only*

### Cooperation with Unicom in relation to 5G Network Construction Project in the Shili Dong'An Community in Heyuan City

On 23 October 2019, IBO Communication entered into a contract with Unicom in relation to "5G network construction project in the Shili Dong'an community in Heyuan City" , pursuant to which 5G network core equipment would be provided by IBO Communication with self-developed technology (including main frames of 5G pico base stations, extension units of 5G pico base stations, transmission units of 5G pico base stations and core network based on SA network) to construct a dedicated 5G network for the Shili Dong'an community in Heyuan City developed by Guangdong Dong'an Industrial Company Limited* (廣東東岸實業有限公司).

Substance of the project: the 5G network involved covers Guanshanyue Villa Area (觀山悅別墅區) Phase 7 and Jiangyu City Community (江語城小區) Phase 5 in Shili Dong'an Community in Heyuan City. IBO Communication will cooperate with Unicom to construct a dedicated 5G signal coverage system for the community on the basis of 5G pico base stations. Such system is connected to high-definition cameras, and technologies such as AI system, face recognition, behavior analysis, electronic fence, perimeter protection, environmental space security hazard warning are applied to achieve environmental security protection based on 5G network coverage.

Scale of the project: the 5G coverage area of this project is nearly 400,000 square metres in total.

Further details are set out in the announcement of the Company dated 23 October 2019.

### Entering into 5G Networking Services Agreements with Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital* (陽春市婦幼保健院) respectively

On 19 November 2019, after a friendly negotiation, IBO Communication signed the 5G networking services agreements respectively with Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital based on the principle of "faithful cooperation and joint development". The parties have committed to adhere to and perform the agreements, pursuant to which IBO Communication will provide 5G pico base stations series products and 5G networking services to Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital for the purpose of facilitating the construction of 5G communication infrastructure for remote medical services.

The 5G networking services involved in the agreements includes the 5G pico base stations series products applying to China Unicom's system, which are self-developed and manufactured by IBO Communication, and 5G networking services (installation, tuning and testing of 5G pico base stations series products and accessing into 5G network). The abovementioned 5G pico base stations series products only support the 5G network of China Unicom, including but not limited to main frames of 5G pico base stations (IBO5GBBU01), transmission units of 5G pico base stations (IBO5GRRUA26W05), 5G communication protocol stack software (IBO5GXYZ001), 5G pico base stations network managing software (IBO5GWG001), etc., which will be installed and tuned and tested by IBO Communication to access the 5G network of China Unicom for, respectively, Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital to fully utilise. 5G pico base stations series products mentioned above are owed by IBO Communication.

Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital respectively make an undertaking to IBO Communication that it will use the 5G pico base stations series products agreed in the agreements for at least 3 years after the completion of installation, and the parties shall further negotiate for renewal upon the expiration.

Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital respectively undertake to designate Unicom to provide technical support and maintenance services for the 5G pico base stations series products and software to ensure the proper function of 5G network within the 3-year usage period mentioned above. Further details are set out in the announcement of the Company dated 19 November 2019.

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### Entering into Memorandum of Understanding in relation to the Strategic Cooperation Agreement with Yangchun Health Bureau

On 4 December 2019, IBO Communication, in response to the national call for medical integration and with the aim of "facilitating medical reform, benefiting the community", commenced the strategic cooperation in respect of 5G networking environment construction and 5G business incubation with Yangchun Health Bureau* (陽春市衛生健康局) by leveraging on the synergies of cloud networking of UIC, which promoted in-depth application of 5G technology in the smart healthcare industry and medical association in Yangchun so as to provide more highly-efficient and convenient healthcare services for the general public in Yangchun. In this regard, both parties entered into the memorandum of understanding in relation to the strategic cooperation agreement. Further details are set out in the announcement of the Company dated 4 December 2019.

### Entering into Memorandum of Understanding in relation to the Formation of a Joint Venture Company

On 19 February 2020, IBO Telecom Company Limited, a subsidiary of the Company, and Bit One entered into the memorandum of understanding, pursuant to which, both parties intend to form a joint venture company to engage in (i) provision of 5G core equipment, 5G network design and implementation service, 5G smart solutions and services and all relevant network connection, installation, on-going maintenance, technical support and customer services to medical institutions in the PRC; and (ii) distribution of 5G core equipment and provision of all relevant network connection services, installation, on-going maintenance, technical support and customer service in Japan. Further details are set out in the announcements of the Company dated 19 February 2020, 21 April 2020 and 19 June 2020.

## BUSINESS OUTLOOK AND STRATEGIES

### Successfully promoting 5G-related business and achieving periodic results, expecting a promising development and prospect in the future

2019 is the first year of 5G commercialisation era in the PRC. The Group has captured the historic opportunity for the vigorous development of 5G network construction. By pivoting its focus towards the domestic market with a global vision, it has actively participated in the construction of 5G networks carried out by both domestic and foreign telecommunication operators and provided them with the series equipment of 5G small base stations, including pico base stations and femto base stations, to strive to become the leading product provider of the series equipment of small base stations in the construction of 5G networks by the domestic and foreign telecommunication operators.

5G will promote economic and social digital transformation and empower a variety of industries with its stronger performance, more scenarios and new ecology. Based on the Group's experience in intelligent application in many sub-sectors over the past two decades, as well as its rich technology accumulation in the fields of IoT, big data, cloud computing, artificial intelligence, etc., the Group will actively integrate into the development of 5G business application scenarios in various industries. By cooperating with external resources such as operators and industry partners with an open and inclusive attitude, we will jointly promote the rapid establishment and deployment of 5G typical business applications and continuously expand the application, promotion and popularisation of 5G in different industries and businesses. The Group will serve as a cross-industry 5G business application solution provider and an integrated construction and operation service provider to provide customers from different industries with comprehensive services, such as innovative 5G business application integration solutions, the planning and construction of customised and dedicated 5G network, as well as the operation and maintenance of industry application big data platforms.

Currently, the Group has taken its initiative to conduct independent research and development of its 5G small base station series products in the industry, including main frames of 5G pico base stations, extension units of 5G pico base stations, transmission units of 5G pico base stations, etc., and has obtained a number of its own intellectual property rights, namely software copyright. It has fulfilled all the conditions and possessed the capabilities to deliver its products to telecommunication operators and has successfully tapped into the market.

In October 2019, the Group entered into the "contract in relation to 5G network construction project in the Shili Dong'an community in Heyuan City" with Unicom, pursuant to which, Unicom will use the 5G small base station series products provided by the Group to construct a 5G network in the Shili Dong'an community in Heyuan City. The project is now at the stage of preparation for implementation.

In November 2019, the Group entered into the 5G networking services agreements with Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital, respectively to facilitate the construction of 5G communication infrastructure for remote medical treatments.

The Group is stepping up its marketing efforts in the promotion of 5G small base station products to the customer base of operators. It has established sales branches in various provinces and cities across the country to provide 5G small base station series products in line with the construction of 5G network by major local telecommunication operators and actively participated in bidding for the centralised procurement of 5G equipment by telecommunication operators. Meanwhile, the Group also relies on its branch in Hong Kong to develop overseas 4G/5G business and provide 4G/5G small base station series products to telecommunication operators in target countries/regions. Projects in multiple countries are currently under negotiation.

2019 is the first year to commence 5G construction in the PRC and 2020 will be the year of fully accelerating the popularisation of 5G network construction. Many countries and regions around the world will also accelerate the deployment of 5G commercial networks. In recent years, the PRC government has attached great importance to the construction of new infrastructure (hereunder referred to as the "**New Infrastructure**") in seven major fields, including 5G infrastructure, big data centre, artificial intelligence and industrial internet. The major areas are closely linked and mutually promoted. In the period of economic recovery after COVID-19, the New Infrastructure was given even greater significance. Local governments have successively introduced ancillary measures to accelerate the development and construction of the New Infrastructure. The Group believes that with the rapid advancement of the New Infrastructure, it will definitely promote the large-scale deployment of 5G construction as well as the application of integrated innovation in the areas of 5G, big data, artificial intelligence and industrial internet in the PRC.

Along with the commencement of 5G infrastructure construction and the continuous expansion of 5G commercialisation, the desire of a broad range of users for 5G network signal coverage is also growing at a rapid pace. Based on the features of 5G technology, 5G outdoor macro base stations have weak indoor signal coverage capability. A large number of 5G small base station products need to be deployed indoors to achieve full indoor coverage of 5G signals. Therefore, the demand for 5G small base station products of the Group is expected to usher in explosive growth and obtain huge development opportunities.

Relying on years of research and development efforts and technological accumulation, the Group will seize 5G opportunities to continue the optimisation of product development, strengthen marketing strategies and enhance in-depth cooperation with operators in order to offer 5G small base station series products and integrated solutions for the operators and provide them with a full range of business support for 5G mobile network coverage in indoor scenarios, so that it can continue to expand the sales scale of 5G small base station products for both domestic and foreign telecommunication operators.

In addition, the Group will further improve the existing 5G industry dedicated network solutions, and actively explore 5G industry dedicated network solutions in the emerging fields and 5G application solutions, such as 5G+ smart communities, 5G+ remote medical treatments, 5G+ smart education, 5G+ smart manufacturing, 5G+ smart light poles, etc. according to the needs of customers in various industries, so that 5G small base station products of the Group can be expanded and applied to dedicated 5G network construction in different industries and it is able to provide extensive 5G innovative applications and services to the customers from numerous industries.

With the help of the "New Infrastructure" policy, 5G small base station products and 5G innovative application related business of the Group have huge room for development and enormous growth potential.

### Intensifying research and development efforts and diversifying products and services

The research and development team of the Group has invested huge manpower and material resources in the independent research and development of 5G pico base stations, and successfully developed a series of 5G pico base station products. Taking this as an opportunity, the Group has increased its research and development efforts in deepening the integration of 5G technology and related vertical industry technologies, so as to provide a more diversified digital products and services for smart communities, smart firefighting, smart agriculture and livestock, smart hospitals, smart parks, smart petrochemicals and other vertical fields.

Currently, the Group has completed the research, development and implementation of the following new products and services:

- Smart firefighting product line, including smart firefighting cloud platforms for fire warning services and nearly 10 smart hardware products for firefighting, including its related supporting NB-IoT water pressure detectors, water level detectors, DTU data transmission equipment, electrical wiring detectors, etc.;

- Smart community product line, including private cloud platforms for community 5G video security monitoring services, smart community showroom systems and 5G surveillance cameras, NB-IoT parking space detectors and other smart hardware products for communities; and

- Smart agriculture and livestock product line, including cloud platforms for cattle trading services, artificial intelligence systems for cattle visual measurement, cattle non-sensing identification systems, and wearable smart hardware products for cattle activity feature detection.

The Group is also improving the research and development of smart remote medical product line, smart park big data display product line and smart petrochemical mobile office platform product line in order to form digital technology products, services and solutions in multiple vertical industries.

Currently, the Group has completed the research and development of the following technologies:

- Machine vision applications based on artificial intelligence, including face recognition, facial expression recognition, human posture recognition (bone diagram), human motion recognition (such as falls, violent actions), clothing recognition (such as hats), cattle body measurement, cattle behaviour recognition and object recognition;

- 3D digitisation technology, including 3D model reconstruction based on depth imaging and 3D model visualisation technology;

- Communication technology applications, including NB-IoT communication technology, LoRa communication technology and 5G communication technology;

- Automated software development technology, including software development assumption identification, software development decision identification, software development technical debt identification, software defect assessment and repair and automated software deployment; and

- Other reserve technologies, including infrared temperature measurement technology and thermal imaging technology.

As for cooperation projects, the Group has cooperated with Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司, "**IAC**") in product design, production, development and sales of smart factories, consumer electronics and smart wearables; it has commenced extensive cooperation with Shenzhen University China-Australia BIM and Intelligence Construction Joint Research Center* (深圳大學中澳BIM與智慧建造聯合研究中心) for smart city construction and in the field of smart operation and maintenance, including joint technological advances, transformation of scientific research results, cultivation of professional talents and construction of post-doctoral workstations; the Group entered into the agreement for construction of "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)" with the Tongliao Agriculture and Livestock Bureau during the Year to construct a digitalised ecology of smart agriculture and livestock industry in Tongliao.

### Rooting in China and capturing global opportunities

IBO Communication and Bit One have intended to form a joint venture company to engage in provision of 5G core equipment, 5G network design and implementation services, 5G smart solutions and services and all relevant network connection, installation, on-going maintenance, technical support and customer services to medical institutions in China; and distribution of 5G core equipment and provision of all relevant network connection services, installation, on-going maintenance, technical support and customer service in Japan. This means that the Group is determined to increase its overseas presence and actively explore potential markets, such as Europe, America, Japan, India and Southeast Asia, while continuing to expand its market share in China. In the future, the Group will continue to exploit the overseas retail business of smart wearable products, consumer electronics and smart home appliances produced under the "Smart Factory 4.0" project, and further build a coordinated and globalised international marketing network system.

### Continuing the expansion of "smart cities" in various sectors

According to the data from the IDC Worldwide Smart Cities Spending Guide, 2019H1 released by the International Data Corporation (IDC) in February 2020, until 2020, global spending on smart city initiatives will reach USD124 billion, representing a growth of 18.9% as compared to 2019. Spending in China, which is the second largest spender after the U.S., will amount to USD26.6 billion. The three hottest investment projects in the Chinese market are sustainable infrastructure, data-driven governance and digital management, respectively. The Group will leverage the first-mover advantage of 5G base station products with the combination of the existing IoT technological resources to integrate market resources and continue to deepen the development of smart agriculture and livestock, smart factories, consumer electronics, smart wearables, smart transportation, urban public service administration Software-as-a Service (SaaS) cloud platforms and other potential "smart city" segments, with a view to providing leading 5G•AIOT integrated solutions to customers in various industries.

### Identifying beneficial strategic investment opportunities

The New Infrastructure, which is guided by new development concepts, driven by technological innovation and based on information networks, is an infrastructure system that provides certain kinds of services, such as digital transformation, smart upgrades and integrated innovation. As a systematic project, the New Infrastructure is required to gather the wisdom and strength of all parties for further development. As the core of the New Infrastructure, 5G technology is being more widely integrated with various industries in the process of smart city construction. The Group will actively respond to the national call to seize the trend of 5G construction and accelerate the penetration of smart IoT in different industries to improve operating efficiency. At the same time, it will continue to cooperate with quality partners at home and abroad and jointly develop quality areas for a win-win situation.

Since China is a country with a large population, manufacturing business and internet, the New Infrastructure has rich application scenarios and a broad market space. The Group will be down-to-earth and strive for excellence to contribute to its own strength under the trend of 5G construction and in the process of promoting the New Infrastructure.

* *For identification purpose only*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

IBO Technology Company Limited ("IBO", the "Group" or "We") is a national high and new technology enterprise focusing on the provision of integrated and customised system solutions with the use of IoT technology in the PRC region. We have four lines of businesses, namely system integration, intelligent terminal products sales, software development and system maintenance services. This report will describe our environmental, social and governance (ESG) management strategies and performance from 1 April 2019 to 31 March 2020 ("2019/20 Fiscal Year" or "Reporting Period"), showing our pursuit of sustainable development in the economic, environmental and social aspects, as well as the importance we have placed on the stakeholders, covering the businesses of system integration, intelligent terminal products sales, software development and system maintenance services of the Group's subsidiaries in Hong Kong, Shenzhen and Xinjiang. This report has been prepared in accordance with the "comply or explain" provisions and with reference to "recommended disclosures" contained in the Environmental, Social and Governance Reporting Guide (ESG Guide) set out in Appendix 27 of the Main Board Listing Rules of the Hong Kong Stock Exchange.

This report has been reviewed and confirmed by the senior management of the Group and submitted to the Board for approval and publication.

## REPORTING SCOPE

The reporting scope of this report includes IBO and its subsidiaries, covering the offices and facilities established by the Group in Hong Kong, Shenzhen, Guangzhou and Xinjiang, which are consistent with the annual report. The scope of this report is different from the ESG report for the 2018/19 Fiscal Year, and the environmental and social data also comprises four new entities, namely Shenzhen Weitu Technology Development Co., Ltd.* (深圳市偉圖科技開發有限公司), Shenzhen IBO Communication Company Limited* (深圳市艾伯通信有限公司), Shenzhen IBO Intelligent Company Limited* (艾伯智能(深圳)有限公司) and IBO Shenzhen Information Technology Limited* (深圳市艾伯信息科技有限公司).


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## ABOUT IBO

The Group is a leading provider of industrial IoT solution and service in the PRC, seizing the development opportunities of the IoT industry and vertically deepening advanced technologies, such as IoT industry chain computing, artificial intelligence, big data, block chain, edge computing, 5G, biotechnology, etc. for the promotion of product research and development as well as services of the Group, so as to provide innovative solutions and services to its customers and continuously expand the Group's business areas. IBO upholds its corporate and social missions of "taking on greater social responsibility and doing more good deeds", "making life better with IBO by promoting the application of 5G technology and IoT technology into life" and "becoming an international elite enterprise as well as an internationally influential and strong company". While focusing on business development, IBO shoulders its corporate social responsibility and endeavours to consider sustainable development values as the cornerstone. The Group strives to operate and develop in a sustainable, environmentally friendly and community-friendly manner, and at the same time, it is committed to supporting equal employment relationships, creating a healthy and safe working environment, and providing a working atmosphere with "care, tolerance, self-consciousness and hard work".

## GOVERNANCE STRUCTURE AND RISK MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY

The Group adheres to the ESG management approach of "pursuit of excellence, sustainable development and earning of respect", and strives to achieve the best balance between business operations and stakeholders' interests in respect of environmental, social and corporate governance. The Group has established a corporate social responsibility governance structure, which is divided into three main components, namely the Board, the ESG Working Group and employees. The Board bears the ultimate responsibility to ensure that the ESG policies of the Group are effective. The Board authorises the ESG Working Group to perform all daily work relating to corporate governance and corporate social responsibility and keep monitoring the implementation of relevant ESG policies within the Group in order to oversee and supervise the progress of achieving corporate targets and ESG goals. The ESG Working Group consists of the corporate development department, the finance department and the human resources department. The responsibilities of the ESG Working Group include internal and external materiality assessments, execution of strategies and policies of the Board, preparation of the ESG reports, as well as collection and monitoring of information and data relating to daily corporate social responsibility.

## Our Sustainable Governance Structure

To effectively manage ESG-related risks, the management is responsible for monitoring and performing risk assessments from the top level, as well as designing, implementing and maintaining the internal control system. The Group has engaged independent professional consultants to continuously assess risk management and internal control systems to identify any significant internal control deficiencies and to make corresponding recommendations for improvement. The Company has established clear written policies and procedures for the internal control system to ensure employees' understanding and implementation of internal controls. The Company has set an organisational structure and positions with well-defined power and responsibility. Each department is responsible for its daily operations and needs to report to the executive Directors on a regular basis to ensure proper implementation of the internal control system.

## COMPLIANCE

In order to ensure the compliance of the Group, we have sorted out the prevailing laws, regulations and standards, and identified and clarified the names of major laws and regulations related to the daily operation and businesses of the Group, the date of promulgation, the date of implementation and revision, the issuing department and applicable terms. The main applicable laws and regulations will be explained in detail in the corresponding sections. The Group's legal department and corporate development department are responsible for regularly tracking and understanding the update of regulations, and notifying relevant departments in time to comply with the latest requirements of the laws and regulations, so as to fully implement the compliance principle.

## STAKEHOLDER ENGAGEMENT

The Group actively listens to and responds to the expectations and demands of the stakeholders while maintaining close contacts with employees, customers, governments, investors, shareholders, suppliers, business partners, governmental and regulatory authorities, community groups, media as well as other internal and external groups through the following channels, based on which we will improve the sustainable development strategies and planning.

| Stakeholders | Engagement Methods | Expectations |
|---|---|---|
| **Investors and shareholders** | • Annual general meetings and notices<br>• Regular corporate publications, including financial statements<br>• Circulars and announcements (if necessary)<br>• Company website<br>• Sending enquiries and suggestions to the address of the Company's principal place of business<br>• Enquiries via telephone and in writing (if necessary) | • Investment returns<br>• Corporate governance<br>• Business compliance |
| **Employees** | • Internal emails and publications<br>• Meetings and briefings<br>• Trainings<br>• Employee activities<br>• Job performance appraisals | • Compensation, benefits and promotion<br>• Safety risk management and training<br>• Equal opportunity |

| Stakeholders | Engagement Methods | Expectations |
|---|---|---|
| **Customers** | • Company website<br>• Customer service hotline<br>• Customer surveys<br>• Customer interviews and meetings<br>• After-sales feedback | • Quality control<br>• Customer service<br>• Customer information and privacy |
| **Suppliers and business partners** | • Business meetings<br>• Performance appraisals<br>• Field visits | • Supplier evaluation mechanism<br>• Intellectual property protection<br>• Quality control |
| **Governmental and regulatory authorities** | • Statutory documents and notices<br>• Verbal and written communication (if necessary) | • Compliance with laws and regulations<br>• Support of economic development |
| **Community groups and the public** | • Social service<br>• Charity events<br>• Public consultation email | • Community investment<br>• Environmental management system |
| **Media** | • Company website<br>• Press releases | • Compliance with laws and regulations<br>• Support of economic development |

## MATERIALITY ASSESSMENT

Based on the results of the above stakeholder engagement activities, we have conducted the materiality assessment to identify relevant ESG issues and assessed their materiality to our businesses and to our stakeholders. The materiality assessment process is set out as follows:

- Identification of potential issues: Initial screening of related issues with reference to the ESG Guide and by benchmarking suitable peers' material ESG issues;

- Stakeholder engagement: Establishing stakeholder engagement channels through which internal and external stakeholders are invited to rate and comment on each ESG issue via questionnaires;

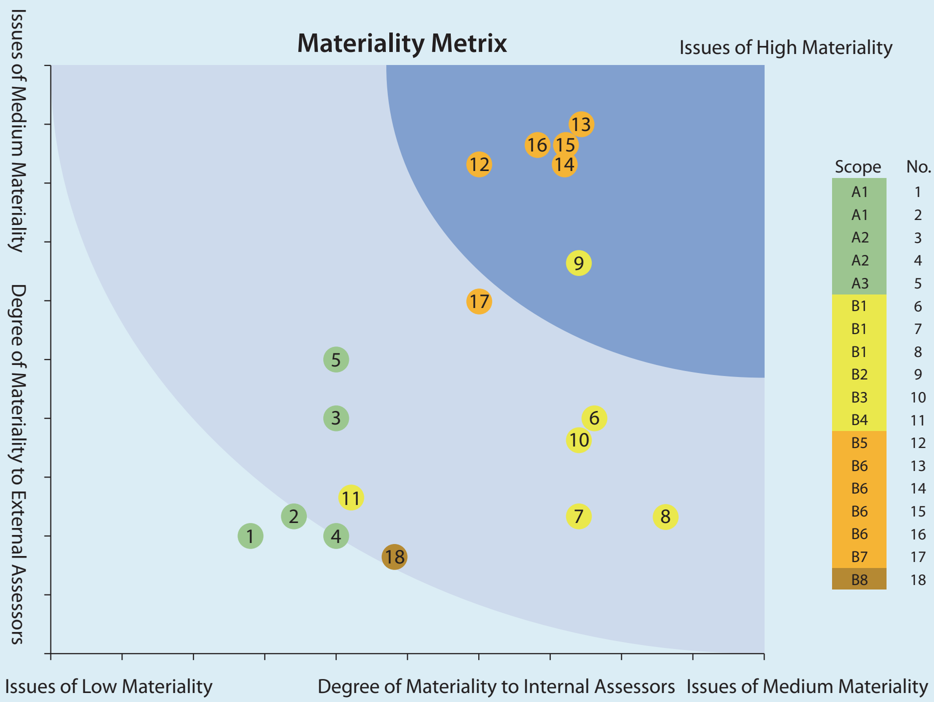
- Prioritisation: Consolidating the results from stakeholder engagement and identifying the issues to assess and prioritise ESG risks;

- Validation: Our ESG Working Group has validated and confirmed the material ESG issues, and how they link to the respective aspects of KPIs under the ESG Guide.

The table below lists out the ESG issues which were determined to be material to the Group during the Reporting Period:

| Summary of the ESG Guide | Material ESG issues |
|---|---|
| **A. Environmental** | |
| A1. Emissions | • Greenhouse Gas Management<br>• Non-hazardous Waste Management |
| A2. Use of Resources | • Electricity Consumption Efficiency<br>• Water Consumption Efficiency |
| A3. Environment and Natural Resources | • Environmental Management System |
| **B. Social** | |
| B1. Employment | • Equal Opportunity<br>• Recruitment and Dismissal<br>• Compensation, Benefits and Promotion |
| B2. Health and Safety | • Safety Risk Management and Training |
| B3. Development and Training | • Employee Training Management |
| B4. Labour Standards | • Prevention of Child and Forced Labour |
| B5. Supply Chain Management | • Supplier Evaluation Mechanism |
| B6. Product Responsibility | • Quality Control<br>• Intellectual Property Protection<br>• Customer Service<br>• Customer Information and Privacy |
| B7. Anti-corruption | • Prevention of Bribery, Extortion, Fraud and Money Laundering |
| B8. Community Investment | • Donation to Students and Poverty Alleviation |

After taking the results of stakeholder engagement into consideration, the Group has come up with the following matrix to determine the mutual priority of material issues for the Group:




| Scope | No. | Material ESG Issues |
|---|---|---|
| A1 | 1 | Greenhouse Gas Management |
| A1 | 2 | Non-hazardous Waste Management |
| A2 | 3 | Electricity Consumption Efficiency |
| A2 | 4 | Water Consumption Efficiency |
| A3 | 5 | Environmental Management System |
| B1 | 6 | Equal Opportunity |
| B1 | 7 | Recruitment and Dismissal |
| B1 | 8 | Compensation, Benefits and Promotion |
| B2 | 9 | Safety Risk Management and Training |
| B3 | 10 | Employee Training Management |
| B4 | 11 | Prevention of Child and Forced Labour |
| B5 | 12 | Supplier Evaluation Mechanism |
| B6 | 13 | Quality Control |
| B6 | 14 | Intellectual Property Protection |
| B6 | 15 | Customer Service |
| B6 | 16 | Customer Information and Privacy |
| B7 | 17 | Prevention of Bribery, Extortion, Fraud and Money Laundering |
| B8 | 18 | Donation to Students and Poverty Alleviation |

| GUIDE REQUIREMENTS | A. ENVIRONMENTAL |
|---|---|
| | **A1 Emissions** |
| **Aspect A1: Emissions**<br><br>**General Disclosure**<br>(a) the policies; | The design and sales of intelligent terminal products, one of our four business lines, involve production and the Company has employed third-party manufacturers to process and assemble products based on the prototypes designed by us. Other businesses, including system integration, software development and system maintenance services, do not involve production and have no direct impact on the environment. The Group has formulated and further improved the Procedures for Environmental Factor Identification and Evaluation and regularly identifies environmental factors in activities, products or services in accordance with the procedures, screens and evaluates major environmental factors and conducts effective management activities for them. We carry out quantified evaluation on environmental factors based on the frequency of occurrence, scope, extent and duration of the environmental impact, public concern and other criteria, then formulate and implement environmental management approaches and operational instructions, and set up environmental control points where appropriate in respect of the evaluation results.<br><br>For third-party manufacturers, the Group informs them of its environmental policy with concerns, requires their cooperation to conduct the environmental management business, and where practical, checks relevant parties' environment-related issues on site. The Group also actively discusses significant environmental issues in relation to waste gas, sewage, soil pollution and waste with third-party manufacturers and urges them to strictly abide by environmental laws and regulations. |
| **KPI**<br>A1.1<br>A1.5 | ***Waste Gas Emission Management*[1]**<br>The main source of the Group's exhaust emissions is vehicle exhaust emissions, which generated emissions of 11.42 kg of nitrogen oxides, 0.27 kg of sulfur oxides and 0.84 kg of particles during the Reporting Period. The Group has formulated the Guidelines on the Use of Personal Vehicles for Business Purposes to regulate the situation of using private cars for work. Meanwhile, taking into account of the impact on the environment, the Group encourages employees to choose to use video conferencing in order to reduce unnecessary business trips, and at the same time encourages them to use public transportation, bicycles and other low-carbon transportation with an aim to reduce exhaust emissions and petroleum consumption. The Group has implemented a series of measures to encourage green travel to effectively reduce vehicle exhaust emissions. |
| **KPI**<br>A1.2 | ***Greenhouse Gas Management*[2]**<br>Electricity consumption in offices is the main contributor to the Group's indirect emissions of greenhouse gases, which generated a total of 89.30 tons of carbon dioxide equivalents during 2019/20 Fiscal Year (2018/19 Fiscal Year: 48.74 tons). The increase in greenhouse gas emissions was due to the addition of four entities in the reporting scope of the Group's ESG report for 2019/20 Fiscal year, while the increase in business coverage and number of employees has led to the increase in electricity consumption. For energy conservation and emission reduction measures, please refer to the section of Aspect A2 Use of Resources. |

1 Entities involved in the following calculation of waste gas emissions are Abacus International Group Company Limited and IBO information (Shenzhen) Limited* (艾伯資訊(深圳)有限公司).

2 The following calculation of greenhouse gases is based on the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong issued by the Environment Bureau, the Sustainability Report 2019 issued by HK Electric, 2017 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and the Greenhouse gas reporting — Conversion factors 2019 issued by the Department for Business, Energy & Industrial Strategy of the United Kingdom Government.

* *For identification purpose only*

| | |
|---|---|
| **KPI**<br>A1.3 | ***Hazardous Waste Management***<br>Due to the nature of its businesses, the Group will not produce a large amount of hazardous waste and there will only be a small quantity of hazardous waste generated in daily office operations. In 2019/20 Fiscal Year, the Group used a total of 24.50 kg of printer toner and scrapped 34 used computers. The Group has implemented a garbage classification policy to separate and store household garbage and all of which will be cleaned up by a property company to ensure that recyclable waste can be reused. In addition to household garbage, the Group carefully classifies, collects and recycles hazardous waste, such as contacting a local professional recycling company to dispose of all the abandoned computers and printer toner cartridges. |
| **KPI**<br>A1.4<br>A1.6 | ***Non-hazardous Waste Management***<br>The non-hazardous waste of the Group is mainly paper used in offices. 1.20 tons of waste paper was generated during the Reporting Period (2018/19 Fiscal Year: 0.64 tons). The increase in paper usage was due to the addition of four entities in the reporting scope of the Group's ESG report for 2019/20 Fiscal Year, while the increase in business coverage and number of employees has directly led to the increase in paper usage. In order to substantially reduce the amount of used paper, the Group vigorously promotes paperless office and uses electronic systems to manage business processes, including the release of electronic versions of management manuals, procedures and other documents through the Company's intranet and reducing the amount of paper used for copying and updating documents. When the use of paper is necessary, we encourage employees to print on both sides and to reuse paper. Electronic methods, such as instant messenger software, email and phone call, are mostly used for daily communication and information transfer, so as to reduce the dependence on written communication. The Group has implemented a series of measures to reduce employees' reliance on paper and improve paper waste in offices. |
| (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste | We have identified environment-related laws and regulations that have significant impacts on the Group, including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and have ensured that the Group has strictly complied with these environment-related laws and regulations. In 2019/20 Fiscal Year, there were no major violations against environmental-related laws and regulations which have come to the attention of the Group. |

## A2 Use of Resources

**Aspect A2:**
**Use of Resources**

**General Disclosure**
Policies for effective use of resources, including energy, water and other raw materials
**KPI**
(Not Applicable[3])
A2.5

The use of resources in offices is the main source of indirect greenhouse gas emissions of the Group. Therefore, we are committed to reducing energy consumption from various aspects such as lighting, electricity consumption of air-conditioners and water conservation, and actively participating in actions to slow down the global warming. We have closely monitored the use of resources, constantly strengthened our employees' awareness of environmental protection through training courses and effective communication with them, and emphasised the importance of following the Group's environmental policies. According to the Procedures for Environmental Factor Identification and Evaluation, we assess the rating for the use of resources in the processes of office activities and services by dividing the results into four levels, namely good, reasonable, waste and severe waste, and keep the monitoring records. The business activities and processes identified as resources-wasting will be controlled by responsible departments through developing policies, which will be reviewed and approved by the management and implemented by responsible departments.

**KPI**
A2.1
A2.3

***Electricity Consumption Efficiency***
The most primary resource used by us is electricity. We purchased and consumed 153,545 kWh of electricity for the year 2019/20 and the intensity of electricity consumption was 34.41 kWh per office square metre (2018/19 Fiscal Year: 81,810 kWh; 24.10 kWh per office square metre). The increase in electricity usage was due to the addition of four entities in the reporting scope of the Group's ESG report for 2019/20 Fiscal Year, while the increase in business coverage and number of employees has led to the increase in electricity usage. The Group has been actively advocating the green office concept and promoting a variety of energy conservation measures, including:

- Installing high performance lights and appliance, and giving priority to personal office equipment with energy labels;
- Ensuring that non-essential power sources, such as computers, computer monitors and lighting, are turned off after leaving office and after work to reduce electricity consumption;
- Switching the computers to sleep or hibernation mode when left idle;
- Keeping the temperature of air-conditioners at 24-26 degree celsius in offices;
- Regularly maintaining and inspecting daily electrical facilities to ensure there are no abnormalities in their power consumptions;
- Affixing "Saving Energy" stickers near the main switches as a reminder to our employees;
- Advocating electricity conservation awareness by means of regularly sending emails to groups and providing trainings, and educating employees to reduce wastage in small details of daily lives;
- Turning off all the air-conditioning switches of the Company after 17:30 every day to avoid the wastage of electricity.

3 The scope and nature of the Group's businesses are the applications and services of high and new technology. Therefore, the Group's operations do not involve a significant use of packaging materials, and the relevant disclosures do not apply to the Group.

**KPI**
A2.2
A2.4

***Water Consumption Efficiency***

The Group purchased and consumed 2,528.68 cubic metres of water for the year 2019/20 and the intensity of water consumption was 0.57 cubic metres per office square metre (2018/19 Fiscal Year: 1,213 cubic metres; 0.36 cubic metres per office square metre). The increase in water consumption was due to the addition of four entities in the reporting scope of the Group's ESG report for 2019/20 Fiscal Year, while the increase in business coverage and number of employees has led to the increase in water consumption. Since our businesses do not involve significant use of water, our water consumption mainly comes from washrooms and pantries in offices. The water is sourced from the government water supply system and the water supply is managed by the office's property management company, so no issues are identified in finding applicable water sources. Paying attention to water resources consumption and aiming at using water in the most efficient way, the Group has implemented water conservation programs in offices, including enhancing the daily maintenance of water supply equipment to avoid leakage due to damage, adopting inductive taps, posting slogans to remind employees of saving water, adjusting water valves to the position with minimum water consumption, encouraging employees to report leakage and dripping problems, etc., to reduce unnecessary waste.

## A3 Environment and Natural Resources

**Aspect A3: Environment and Natural Resources**

**General Disclosure**
Policies on minimising the issuer's significant impact on the environment and natural resources

**KPI**
(Not Applicable[4])
A3.1

***Environmental Management System***

The nature of the Group's businesses does not involve highly pollutant production and operation procedures, so there is no significant impact on the environment and natural resources. However, we are dedicated to taking measures to address the energy efficiency and environmental protection needs, and have already established and improved the environmental management system which has been certified by ISO14001:2015 standard to continuously assess and control the potential impacts of our business activities on the environment. We take the past, current and future conditions of our business activities into account and consider the environmental impacts that may be caused under normal, abnormal or emergency operations. The consideration factors for environmental impacts include noise, material radioactivity, soil pollution, resources consumption, greenhouse effects, etc. When there are changes in departments' activities, products, services or external conditions that cause changes in the environmental factors, responsible departments will re-evaluate the environmental factors and carry out corresponding measures to minimise such possible impacts. We conduct daily monitoring and assessment on, and have established a response mechanism for, abnormalities and accidents that have a significant impact on the environment and natural resources to ensure timely reporting and formulation of response plans. Investigation will also be arranged for post evaluation. We have also clearly defined the responsibilities of each post and provided trainings on professional skills and environmental control procedures for personnel in special operation processes and relating to important environmental factors.

4 The scope and nature of the Group's businesses are high-tech applications and services. Therefore, the Group's operations do not have a significant impact on the environment and natural resources, and the relevant disclosures do not apply to the Group.

## B. SOCIAL

### B1 Employment

**Aspect B1: Employment**

**General Disclosure**
Information on:

(a) the policies;

***Equal Opportunity***
The Group firmly believes that talent is one of the Group's important assets. A working environment which provides equal opportunities for employees is the cornerstone for retaining talents and long-term business development. To express our respect for diversity, the Group regards justice and fairness as the principles of human resources management. All candidates and employees are treated equally in terms of recruitment, promotion, compensation and benefits, training and development. No one is discriminated against because of age, race, gender, family status, pregnancy, religion, disability, etc.


***Recruitment and Dismissal***
The recruitment principle of the Group is based on integrity and talent, merit and fair competition. Our recruitment process adopts an objective assessment model. The job requirements are expressly listed before recruitment, and the selection process is conducted through various channels such as external recruitment, online recruitment and campus recruitment. Candidates need to go through the written test, interviews and background check, so that we can assess their abilities, experience, work attitude and other qualities. Recruitment principle, recruitment selection and recruitment processes have been incorporated into the Employee Handbook and the Recruitment Management System. In addition, we have formulated and further improved the Policy on Employee Resignation Management to ensure that the resignation is handled in an orderly manner. The policy stipulates arrangements for resignation approval process and handover after resignation so as to protect the interests of both employees and the Group. The system also sets out the conditions for termination of the labour contract, such as violation of state laws and regulations or commitment of serious disciplinary offence, and unreasonable dismissal is prohibited. The Group has to offer adequate and reasonable compensation to the employee according to the laws and regulations if it has to dismiss or expel the employee.

***Compensation, Benefits and Promotion***

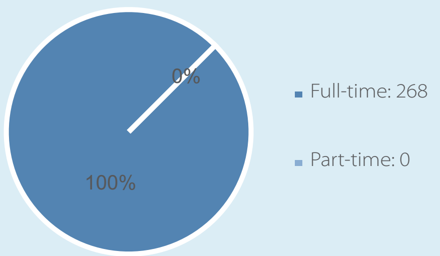
The policies and regulations relating to compensation, benefits and promotion have been set out in the Employee Handbook, Performance Assessment Management System, Compensation Management System, Employee Vacation Management System, Attendance Practice and Labour Contract. At the same time, the Group's compensation and benefits, including subsidies and bonuses, are determined based on the requirements of local laws and regulations, market payroll level, business performance and results of employee performance appraisal, which are designed to provide an attractive payroll to retain talents and recognise their contributions. The Group has also ensured its employees have reasonable working hours and adequate rest time, and are entitled to leaves (including annual leave, marriage leave, maternity leave, bereavement leave, statutory holidays, etc.). The employee performance appraisal is based on objective and fair principle, which evaluates employees' performance by business indicators, work task indicators and attitudes, and ability indicators. The appraisal results of employees are measured by quantitative principles, and assessment standards are applied consistently for employees in the same position. Not only will the result of the performance appraisal be applied to determine the compensation and bonus, but it will also become the foundation for employees' promotion.

**KPI**
B1.1

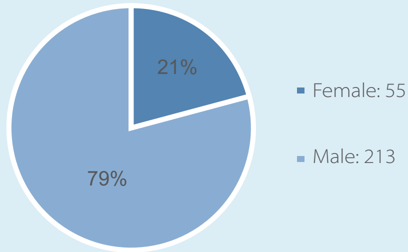
***Number of Employees***

In the year 2019/20, the Group employed approximately 268 full-time employees, of which 213 were male and 55 were female. The employees of the Group are distributed in various age groups, among which approximately 55% of them are between 20 and 35 years old. In terms of workforce by region, approximately 97% of the Group's employees are located in the mainland China, and the rest are located in Hong Kong.

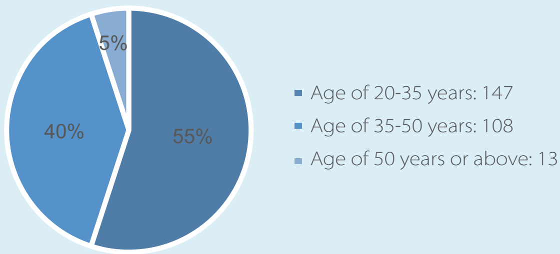
**Number of Employees by Employment Type**



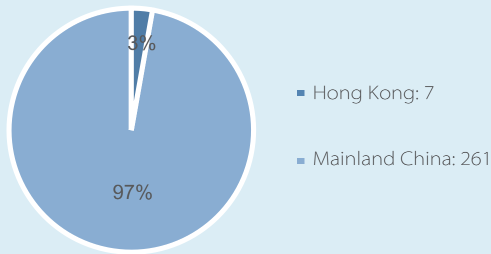

**Number of Employees by Gender**




**Number of Employees by Age**




**Number of Employees by Region**

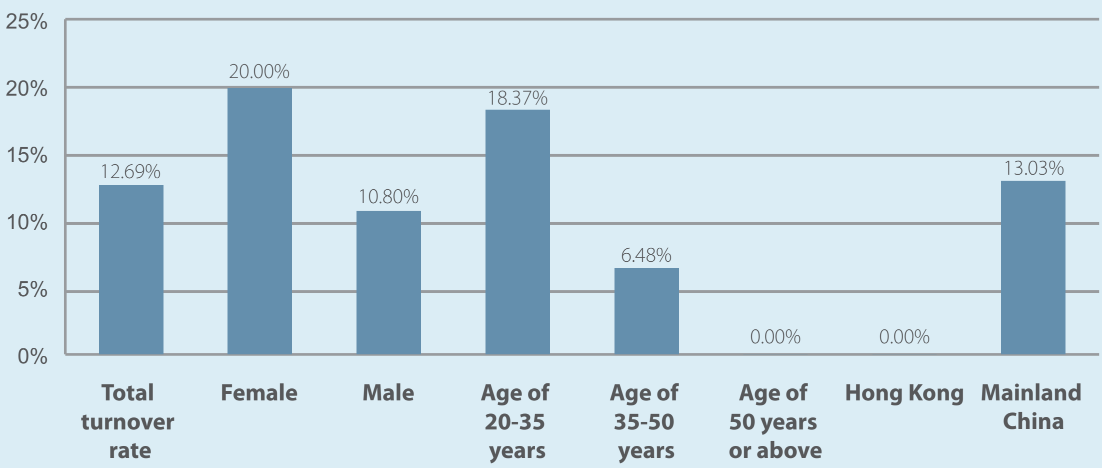



**KPI**
B1.2

***Employee Turnover Ratio***

The total turnover rate of the Group in the year 2019/20 was 12.69%. The chart below shows the turnover rate by gender, age group and region.

**Employee Turnover Rate by Category**



(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare

The Group has strictly complied with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Employment Ordinance in Hong Kong. The paid salaries are also in compliance with the statutory minimum wage level. In 2019/20 Fiscal Year, there were no major violations against the employment-related laws and regulations which have come to the attention of the Group.

## B2 Health and Safety

**Aspect B2: Health and Safety**

**General Disclosure**
Information on:
(a) the policies;
**KPI**
B2.3

***Safety Risk Management and Training***

We regard the protection of health and safety of our employees as a highly crucial task. We are committed to maintaining a safe, healthy and productive workplace for our employees, and apply a prevention-oriented approach and adopts measures that focus on hazard management and risk assessment. In order to achieve the goal, we have been continuously improving the occupational health and safety management system, and have established the Environmental Safety Operation Control Procedures and obtained the GB/T 28001–2011 certification. By establishing a variety of safety measures, such as fire prevention, fire training, electric shock prevention, etc., the Group provides its employees with a safe and healthy working environment.

In view of the safety risks in the workplace, the Group has identified and assessed sources of major occupational health and safety hazards within its business scope, and has taken effective control measures against those sources of major hazards. We carry out daily monitoring and regular audits at the workplace. Once we identified any abnormality, we will carry out investigations and implement corrective measures immediately, the results of which will be reported to the management. The Group has established an accident handling mechanism and formulated an emergency plan. In the event of a safety incident, we will control the situation as soon as possible according to the internal mechanism and conduct an after-action review. We also understand the importance of precautionary measures and encourage employees to report to the management on emergencies such as incidents and events regarding occupational health and safety, as well as natural disasters. In regard to the third-party manufacturers, we carry out environmental safety information exchange work, issue the Environmental Safety Control Requirements and require the manufacturers to commit to complying with health and safety related requirements in the contract.

In addition, training and education can enhance safety awareness of employees, which is the primary way to reduce the number of safety incidents. In order to improve work efficiency and reduce the number of safety incidents, we require personnel involving in work safety risks to participate in specialised safety technical training. If the operation of mechanical engines is involved, we require the relevant personnel to obtain a qualified operation certificate from the national agency. Moreover, we evaluate the ability of our employees who perform maintenance on a monthly basis, so as to ensure our employees comply with our guidelines and safety measures.

(b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards
**KPI**
B2.1
B2.2

We have conducted regular safety inspections, supervision and audits to ensure compliance with laws and regulations, including the Labour Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Measures for the Administration of the Nursing of Occupational Disease Patients and the Regulation on Work-Related Injury Insurances. In 2019/20 Fiscal Year, there were no major violations against laws and regulations in relation to the health and safety of employees which have come to the attention of the Group. The death rate of employees due to work was 0% and the number of working days lost due to work injury was zero.

## B3 Development and Training

**Aspect B3: Development and Training**

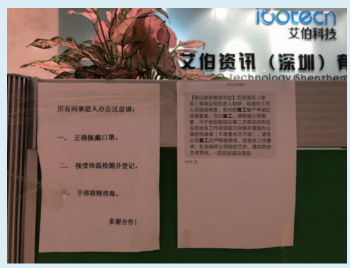
**General Disclosure**
Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities

***Employee Training Management***
The training structure of the Group is "recruitment, in-service and further improvement", aiming to continuously improve the profession level and job skills of employees to meet the needs of sustainable business development of the Company. The Group's training policies and systems have been elaborated in the Internal Training Management System and the External Training Management System. The internal or external trainings are arranged based on the consideration factors such as training contents, training targets and training costs. Through induction training provided by the Group, new employees can understand basic business processes, rules and regulations, corporate culture and organisational structure as soon as possible, helping the employees to adapt to the Company's environment. As for the employees in service, the training contents will focus on the knowledge of professional skills and job requirements. It combines with a variety of teaching methods such as courses, multimedia, on-site demonstration and detailed textbooks to convey knowledge and skills. The Group also organises regular team building and development trainings to enhance team spirit among its employees. For employees with potential, the Group will provide them with further training, including cross-departmental comprehensive training, or arrange external professional training for them to further improve their professional knowledge and skills. Employees can even receive subsidies after approval by the management for training. For the management personnel, the Group also provides training to enhance their integrated management skills, such as strategy management, resources management and personnel management.

In order to provide training that is more in line with the actual needs of the employees, the Group conducts a training demand survey annually and formulates an annual employee training schedule based on the needs of each department and the business objective of the Group. The Group will also monitor and review the implementation progress of the training schedule and make adjustment in a timely manner. Effectiveness of the trainings is assessed based on employee satisfaction, learning effectiveness, job performance and attendance, etc.

In addition to focusing on professional knowledge trainings of employees, the Group also pays attention to the inheritance of its corporate culture. It is the Group's vision to build a "Hundred-year-old IBO". In the year 2019/20, the Group provided corporate culture trainings to all of its employees. It will adhere to the "market-oriented and customer-centric" business philosophy, advocating a working atmosphere with "care, tolerance, self-consciousness and hard work" and the cultural transfer of its business goal of building "Hundred-year-old IBO and even Ten billion IBO".


Since the outbreak of the COVID-19 pneumonia epidemic began in December 2019, the Group has attached great importance to the development and impact of the epidemic and actively cooperated with and followed up local and central government policies. In order to ensure the health and safety of each employee and create a safe working environment, the Group has organised 50 online training courses on epidemic prevention knowledge, with a total duration of up to 24 hours and an employee participation rate of 100%. Meanwhile, the Group provides sanitisers with an alcohol concentration of 75% to its employees for their sterilisation and disinfection. Body temperature check is conducted every day for all personnel within the office area and only those who pass the temperature check can enter the office. In addition, the Group has raised employees' awareness of epidemic prevention by posting promotional banners and setting up waste mask recycling area. With the unremitting efforts of the management and employees, none of the employees of the Group has been infected.

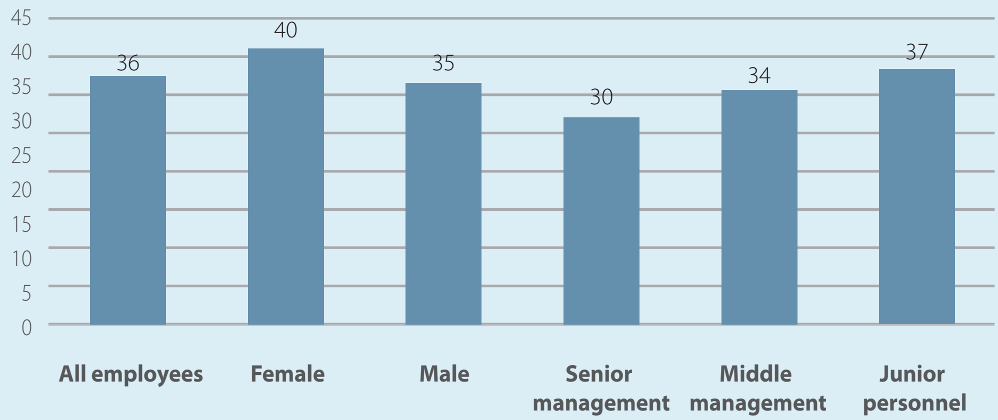



**KPI**
B3.1
B3.2

***Employee Training Rate and Average Hours***

In the year 2019/20, the ratio of employees trained by the Group to the total number of employees was as high as 100%, and the average training duration of employees was 36 hours. The chart below shows the average training hours by gender and employee category.

**Average Training Hours of Employees by Catogory**




## B4 Labour Standards

**Aspect B4:**
**Labour Standards**

**General Disclosure**
Information on:

(a) the policies;

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour

**KPI**
B4.1
B4.2

***Prevention of Child and Forced Labour***

The Group adopts a comprehensive screening and recruitment process, and conducts regular inspections and reviews to strictly prohibit hiring of employees below the statutory working age in the local region where it operates. It registers the valid identification documents of each newly recruited employee and checks their age to ensure its compliance with local statutory requirements. In addition, the Group will explain the labour contract to each newly recruited employee, and the employee needs to sign and agree to the terms of the labour contract. We will never tolerate forced labour within the Group.

In 2019/20 Fiscal Year, the Group has strictly complied with the Labour Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour. There were no major violations against the laws and regulations relating to the prevention of child or forced labour which have come to the attention of the Group.

## B5 Supply Chain Management

**Aspect B5:**
**Supply Chain Management**

**General Disclosure**
Policies on managing environmental and social risks of the supply chain
**KPI**
B5.2

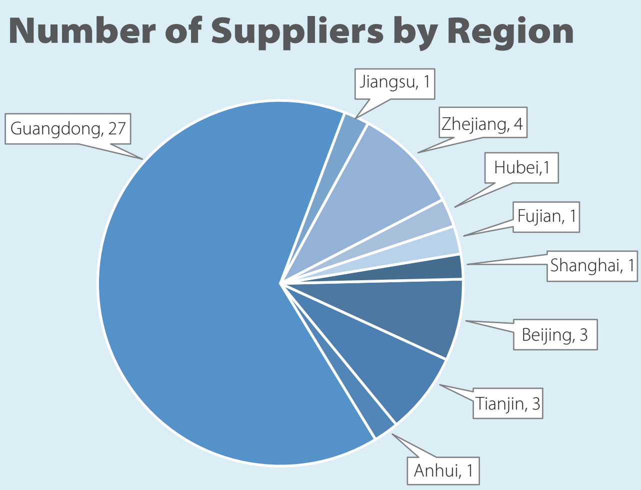
***Supplier Evaluation Mechanism***

In order to strengthen the bilateral cooperative relationships with suppliers, the Group has established long-term friendly cooperative relationships with them based on the principles of mutual benefit and common development to prevent the risk of procurement business. We value the communication with our suppliers, emphasising our requirements on product quality and service towards suppliers. We take technical standards, quality control standards as well as environmental and occupational health and safety management system requirements into considerations for the assessment of suppliers. We also collect and review their business licenses and qualifications. If necessary and possible, we will conduct on-site review for the suppliers to ensure they fit our criteria. Only those who pass the assessment can be included in the Qualified Supplier Directory. At the same time, suppliers must commit to complying with relevant laws and regulations. In order to achieve the Group's environmental and social risk management policies, we will also communicate with our suppliers in a timely manner and request their cooperation to commence relevant management measures.

**KPI**
B5.1

***Number of Suppliers***

The Group maintained a partnership with a total of 42 suppliers in the year 2019/20, and all qualified suppliers were included in the Qualified Supplier Directory after being reviewed through the supplier evaluation mechanism. The chart below shows the number of suppliers by region.



**KPI**
B5.3
B5.4

***Supplier Environmental and Social Risk Management***

The procurement supply chain management is based on the purchase of products through the standard fixed-point, pricing and ordering process. Supply chain risks focus on quality risk, market risk, safety, etc. Strengthening the supply chain environment and risk control refers to the business relationship between enterprise product demand and suppliers, which will be gradually optimised to form an excellent supplier group.

The enterprise procurement supply chain is an important component of the enterprise supply chain system. It is the key to improving the quality of an enterprise and saving costs. To establish an enterprise procurement supply chain system, we first need to incorporate all aspects of enterprise procurement into the entire system to ensure the smooth flow of information among all aspects of procurement process and increase work efficiency. Meanwhile, the sharing of information and the rational use and allocation of resources will bring the greatest benefits to the enterprise.

With an aim to adapt to the development trend of environmental protection and ensure that the incoming materials of each supplier meet the requirements of environmental protection (ROHS) and environmental protection laws and regulations, the materials and products sold by the supplier to the Group must not contain any substances prohibited by the ROHS directive. In order to meet the environmental protection needs of the Group, all raw materials must have a certificate of inspection, and electronic components are required to meet the ROHS limit requirements in the environmental management.

## B6 Product Responsibility

**Aspect B6: Product Responsibility**

**General Disclosure**
Information on:
(a) the policies;

**KPI**
B6.1
B6.4

***Quality Control***

The Group has established a strict quality management system according to ISO9001:2015 and has obtained the corresponding certifications. We have set up explicit guidelines for each procedure in materials acceptance, and carefully perform our functions in management and supervision to ensure high quality assurance of raw materials and finished products. For the supply from suppliers and third-party manufacturers, we will carefully test the raw materials and finished products to ensure compliance of the contract requirements. Only qualified raw materials or finished products can be delivered to third-party manufacturers or customers. Any raw materials or finished products that do not meet our quality standards, specifications and requirements are returned to suppliers or third-party manufacturers for exchange, return or re-production.

We also implement quality standards and quality control procedures for software products to ensure that product design meets the quality requirements of our customers and focus on continuously improving the quality of our software products. We will review and inspect the quality requirements and target conditions at different stages of project design, development and completion. By conducting a series of system tests and program tests, the actual results are compared with the expected results in order to find any differences and areas for improvement and strive for excellence. Therefore, we ensure that each customer's needs are met and that the standard and outcome of every product are consistent. No products of the Group were recycled due to safety and health issues in the year 2019/20.

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|---|---|
| **KPI** B6.2 | ***Customer Service*** The Group arranges personnel-in-charge to communicate with the customers in the pre-project, in-project and post-project phases of the products and services, so as to understand customers' needs, safeguard their rights and continuously improve the quality of our services. We will understand the expectations of our customers in details by communication before the project operates, and design a project plan that are satisfactory to customers and based on our customers' interests. During the execution process of the project, we will also closely communicate with the customers about the progress of the project, and accept opinions about the quality and services. Training programs and materials will also be provided when necessary to ensure that the customers have a clear understanding of the usage of our projects. After the completion of the project, we will also provide the customers with timely maintenance services and technical consultation, and will collect their feedbacks on the quality of the Company's products and services and report to other relevant departments with the view to continuously improving the quality of our products and services. The Group did not receive any complaints caused by product and service quality problems in the year 2019/20. |
| **KPI** B6.3 | ***Maintenance and Protection of Intellectual Property Rights*** As one of the earliest domestic enterprises engaged in research, development and application of IoT technology, the Group has been cultivating in the field of IoT for nearly 20 years and possesses a number of patented technologies. Therefore, the Group attaches great importance to the maintenance and protection of intellectual property rights to ensure that all patent applications and management comply with legal standards and procedures and to prevent infringement of other intellectual property rights. The requirements for the protection of intellectual property rights are set out in the Intellectual Property Rights and Confidentiality Agreement. All senior management personnel of the technical department must sign the agreement with the Group and agree to protect the intellectual property rights of the Group. |
| **KPI** B6.5 | ***Customer Information and Privacy*** The Group has formulated relevant internal controls to protect customer data. There are clear guidelines available for the collection, storage, use and destruction of customer data. We have also adopted multiple measures to prevent leakage. Meanwhile, we have established a series of control procedures relating to data security such as firewall, password policies, user management, server room regular inspections, etc., to reduce the risk of leaking customer data. In addition, the Group emphasises the importance of customer data confidentiality by email notice, training and daily communication, and conducts regular checks for each safety and confidentiality measure. Relevant requirements on customer information confidentiality are set out expressly in the Employee Handbook, and all newly recruited employees must sign a non-disclosure agreement with the Group, agreeing to keep the Group's data including customer data confidential. |
| (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress | We have strictly complied with the Product Quality Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. In 2019/20 Fiscal Year, there were no major violations against the laws and regulations relating to product and service quality which have come to the attention of the Group. |

## B7 Anti-Corruption

| | |
|---|---|
| **Aspect B7: Anti-Corruption**<br><br>**General Disclosure**<br>Information on:<br>(a) the policies;<br><br>**KPI**<br>B7.2<br>B7.3 | ***Prevention of Bribery, Extortion, Fraud and Money Laundering***<br>The Group strictly prohibits all forms of bribery, extortion, fraud and money laundering, continuously improving the anti-corruption management system. The Group deeply believes that honesty, integrity and fairness are important assets of the Company. All employees must ensure that the Group's reputation is not compromised by fraud, infidelity or corruption. Therefore, the Group has formulated the Anti-Corruption Discipline Code as the basic standard of disciplinary conduct that employees of the Company must abide by.<br><br>The Group has maintained extremely strict requirements for employees' codes of conduct and integrity. Employees' codes of conduct and every integrity-breaching behavior, as well as the accountability and punishment decision are expressly stipulated in the Employee Handbook. Employees are required by the Group to sign a statement at the time of onboarding, agreeing to abide by related provisions. The Group conducts anti-corruption training for each newly recruited senior management personnel and requires them to sign the Business Self-discipline Clause to show their agreement to abide by the related provisions. If an employee violates the codes of conduct stipulated in the Employee Handbook or the Business Self-discipline Clause, labour contracts may be terminated for those who have serious violations and they may be held liable for related losses. Such cases may be transferred to law enforcement agencies for further action.<br><br>The Group has opened up channels for complaints. Any person, including the Company's shareholders or persons intending to become shareholders, customers or consumers, suppliers or contractors, the Company's directors and employees can file a complaint with the Company. The Group will consider and handle all the complaints in a fair and efficient manner, and promise that all the complaint information will be kept absolutely confidential to protect the personal safety of each complainant from infringement. |
| (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.<br>**KPI**<br>B7.1 | We have complied with the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Interim Provisions on Banning Commercial Bribery. In 2019/20 Fiscal Year, there were no major violations against the laws and regulations relating to prevention of bribery, extortion, fraud and money laundering which have come to the attention of the Group. |

## B8 Community Investment

**Aspect B8: Community Investment**

**General Disclosure**

Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests

**KPI**

B8.1

B8.2

***Donation to Students and Poverty Alleviation***

In order to promote the development of social welfare undertakings and the construction of a harmonious society, the Group fulfills its corporate social responsibilities by giving back to society, paying close attention to social issues and integrating social development needs into its corporate business decisions. Therefore, we established the "IBO Charity Fund" in January 2018 with the purpose of poverty alleviation and funding students and launched a series of charity projects in the year 2019/20 to help more people in need.

- In June 2019, the "IBO Charity Fund" and the Education Promotion Association of Shuangjiao Town jointly held an education scholarship charity event to commend and reward outstanding teachers and students. 138 outstanding teachers, 10 postgraduate students, 39 students in key universities, 28 students with top results in the middle school graduation examination and 26 students who are admitted to experimental middle schools were rewarded, while 102 outstanding university, middle and primary school students in total were funded.


- In October 2019, the "IBO Charity Fund" funded the engineering project of stairway fire isolation belts in Shenzhen Guangming Honghuashan Primary School to provide teachers and students with good teaching conditions and a safe environment.

- During June to October 2019, the Group successively donated 200 copies of the textbook "Yanling Huahong" to Yangchun Shuangjiao Middle School, 500 copies of the textbook "Yanling Huahong" to Yangchun First Middle School, 500 sets of cards "I Love Red Boat", 200 copies of the textbook "Yanling Huahong" to Yangchun Experimental Middle School and 1,117 copies of the textbook "Yanling Huahong" to Lingnan Teachers College, so as to assist the schools in solving their practical difficulties encountered in teaching and provide better learning conditions for teachers and students.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lai Tse Ming (黎子明先生)**, aged 57, is the founder of the Group, the chairman of the Board and the nomination committee of the Company (the "**Nomination Committee**"), an executive Director and the director of the Investment Decision-making Committee. Mr. Lai is the controlling Shareholder. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. Mr. Lai is the chairman of Abacus International Group Company Limited and IBO Information. He is also a director of each of the Company's subsidiaries (excluding IBO Digital, each member of Weitu Group, Shenzhen IBO Intelligent Company Limited* (艾伯智能(深圳)有限公司), IBO Information Technology and IBO Communication). Mr. Lai has approximately 20 years of experience in the industry of information technology. Before founding the Group, Mr. Lai has been also the founder and chairman of Gee Fung Group Limited (principally engaged in general trade) since 1995. Mr. Lai received a diploma in special zone economics (特區經濟學) from Jinan University (暨南大學) in 1988.

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

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

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

**Mr. Gao Weilong (高偉龍先生)**, aged 49, is the chief executive officer and an executive Director, the deputy director of the Investment Decision-making Committee and the director of the Performance Review Committee. He is also the director of IBO Digital, a subsidiary of the Company. He is responsible for overall management of the Group. He joined the Group in March 2006. Mr. Gao has approximately 28 years of experience in engineering and management. Prior to joining the Group, his primary working experience includes: an engineer and subsequently promoted to chief design engineer of China Southern Airlines Power Machinery Company* (中國南方航空動力機械公司) (principally engaged in the manufacturing of aircraft engines, as well as the research and development and manufacturing of motorcycles) from August 1992 to December 2001; a senior engineer of Minghua Environmental Automobile Company Limited* (明華環保汽車有限公司) (principally engaged in the research and design of the gasoline-electric hybrid vehicles and the components thereof) from January 2002 to May 2002; a managing engineer of TCL King Electronics (Shenzhen) Company Limited* (TCL王牌電子(深圳)有限公司) (principally engaged in the research and development, manufacturing and sales of electronic products) from August 2002 to April 2003; a performance management supervisor of Shenzhen Southern CIMC Containers Manufacture Company Limited (深圳南方中集集裝箱製造有限公司) (a subsidiary of China International Marine Containers (Group) Company Limited, a company listed on the Stock Exchange (Stock code: 2039) and the Shenzhen Stock Exchange (Stock code: 000039) and principally engaged in the manufacturing of containers) from January 2004 to February 2006. Mr. Gao received a bachelor degree in automotive engineering in tractor (汽車工程系汽車拖拉機) from Chongqing University (重慶大學) in July 1992, a master degree in engineering in power mechanical engineering from Wuhan Automotive Polytechnic University (武漢汽車工業大學) (now known as Wuhan University of Technology (武漢理工大學)) in March 2000 and a Master of Business Administration (工商管理) from Peking University (北京大學) in June 2004.

* *For identification purpose only*

**Mr. Teng Feng (滕峰先生)**, aged 45, is the chief technical officer and an executive Director, the director of the Technology Development Committee and the director of IBO Research Institute of Science and Technology. He is responsible for formation and management of the technical team of the Group. He joined the Group in November 2009. Mr. Teng has approximately 16 years of experience in research and development of wireless communication products and electronic label products. Prior to joining the Group, his primary working experience includes: a manager of the hardware department of Shenzhen Aerospace Intelligence Telecommunications Limited* (深圳市航通智能有限公司) (principally engaged in the development, sales and the relevant technical information of computer software and hardware, communication network devices and Global Positioning System integration) from November 2002 to September 2003; a general manager of the products department of Guangzhou Longsun Network Technology Company Limited* (廣州朗昇網絡科技有限公司) (principally engaged in computer network system engineering services) from January 2005 to April 2008; a technical director of Shenzhen An Zhi Mao Network Communications Company Limited* (深圳市安智貿網絡通信有限責任公司) (principally engaged in the technology development of network communication devices) from May 2008 to July 2009. Mr. Teng received a bachelor degree in engineering in automation in electrical equipments and measurement techniques (自動化系電子儀器及測量技術) from University of Electronic Science and Technology of China (中國電子科技大學) in July 1998 and a master degree in electronics and communication engineering (電子與通信工程領域) from Tsinghua University (清華大學) in January 2007.

**Mr. Yu Kin Keung (余健强先生)**, aged 38, is the chief financial officer and an executive Director and the general manager of the Financial Management Department. He is responsible for the overall management of the financial matters of the Group. He is also a director of Bright Leap Limited and Rise Mark Corporation Limited, both of which are subsidiaries of the Company, and a director of Good Cheer and Sunny Ford Technology Limited, both of which are the investment companies of the Company. Mr. Yu joined us in January 2016. Prior to joining the Group, his primary working experience includes: an auditor of Hong Kong Great Wall CPA Limited (principally engaged in provision of auditing, taxation and company secretarial services) from March 2008 to October 2009; an assistant accountant of Evermate Trading Limited (principally engaged in the mining and trading of iron ore) from June 2010 to September 2010; an account manager of Chung Yuen High Polymer New Materials Holdings Limited (principally engaged in the production and trading of biodegradable plastics) from September 2010 to May 2014; a finance manager of CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited, a company listed on the Stock Exchange (Stock code: 1566) and principally engaged in trading of animation derivative products) from May 2014 to October 2015; a finance director of Bakerhouse Global Limited (principally engaged in financial advice) from October 2015 to January 2016. Mr. Yu graduated from Monash University, Australia with a bachelor degree in commerce in accountancy and finance in December 2007. Mr. Yu has been an associate member of CPA Australia since July 2011.

**Mr. Lyu Huiheng (呂惠恒先生)**, aged 41, is an executive Director. He is responsible for supervising legal related matters of the Group. He joined the Group in May 2017. Mr. Lyu is qualified to practice law in the PRC since June 2008 and possesses extensive experience in the legal field. He had been working as a lawyer in Beijing Jincheng Tongda Law Firm* (金誠同達律師事務所) from June 2008 to November 2009 and Beijing Huicheng (Shenzhen) Law Group* (北京市惠誠(深圳)律師事務所)from January 2011 to November 2012. He was a lawyer in Beijing Jurisino (Shenzhen) Law Group* (北京市時代九和(深圳)律師事務所) from December 2012 to June 2018; and since July 2018, he worked as a lawyer in Shanghai Hiways (Shenzhen) Law Firm* (上海市海華永泰(深圳)律師事務所). Mr. Lyu is a deputy general manager in Shenzhen Liandao Capital Management Co. Ltd.* (深圳市聯道資產管理有限公司) (principally engaged in investment banking and private equity investment management) since March 2016. Also, he has been a director of Union Way International Investment Group Limited (聯道國際投資集團有限公司) (principally engaged in provision of financial advice) since March 2016; and from September 2016 to June 2018, he was a director of Union Films Limited (合眾影業有限公司) (principally engaged in production shooting projects). Mr. Lyu has been a chairman' s assistant of Shenzhen Jimmy Chemical Technology Co., Ltd.* (深圳市超美化工科技有限公司) (principally engaged in manufacturing of car care and fuel additive products) from April 2006 to June 2008. Mr. Lyu received a Bachelor of Laws Degree from Shenzhen University in July 2002 and a Master of Laws Degree in International Economic Law from The University of Warwick in January 2005.

* *For identification purpose only*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. He Tianxiang (何天翔博士)**, aged 36, is the independent non-executive Director. He was appointed as an independent non-executive Director on 6 December 2017. He is currently an assistant professor in the School of Law in the City University of Hong Kong since August 2016. Dr. He received a Bachelor of Laws Degree from Huaqiao University (華僑大學) in July 2007, a Master of Laws Degree in International Law from Jinan University (暨南大學) in June 2009. He also received a Doctor's degree in the Faculty of Law from Maastricht University in July 2016 and a Doctor's degree in Criminal Law from Renmin University of China (中國人民大學) in January 2017.

**Dr. Wong Kwok Yan (黃國恩博士)**, aged 55, is the independent non-executive Director and the chairman of the remuneration committee of the Board (the "**Remuneration Committee**"). He was appointed as an independent non-executive Director on 6 December 2017. He is a solicitor in Hong Kong and has extensive experience in the legal profession. Dr. Wong has been the principal of Christopher K. Y. Wong, Solicitors since June 2005. Dr. Wong has obtained the following professional qualifications: Chartered Member & Associateship of the Textile Institute (U.K.) in 1990; Civil Celebrant of Marriage in 2006; China-Appointed Attesting Officer in 2009; Arbitrator of Shenzhen International Court of Arbitration/South China International Economic and Trade Arbitration Commission in 2015. Dr. Wong has been an appointed member of the Wong Tai Sin District Council from 2008 to 2011 and 2012 to 2015. Dr. Wong graduated from the Hong Kong Polytechnic University with the academic qualification of Associateship in Textile Technology in 1988. He accomplished the Common Professional Examination of England and Wales jointly organised by the Manchester Metropolitan University (UK) and the University of Hong Kong in 1993. In 1995, he completed the Postgraduate Certificate in Laws from the University of Hong Kong. Dr. Wong was awarded a Bachelor of Laws Degree by the Peking University (北京大學) in 2002, a Master of Laws Degree in Chinese and Comparative Law by the City University of Hong Kong in 2005, and a Doctor of Laws Degree in Environmental and Resource Protection Law by the Renmin University of China (中國人民大學) in 2012.

**Mr. Hung Muk Ming (洪木明先生)**, aged 55, is the independent non-executive Director and the chairman of the audit committee of the Board (the "**Audit Committee**"). He was appointed as an independent non-executive Director on 6 December 2017. Mr. Hung has extensive experience in auditing, finance and accounting. Since February 2017, Mr. Hung has been a director of Hua Guan New Materials Company Limited* (華冠新型材料股份有限公司), a subsidiary of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in steel production. From February 2005 to February 2017, Mr. Hung was the group financial controller of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. Hung was the group financial controller of Hoi Meng Group* (開明集團). From July 2001 to September 2002, Mr. Hung worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. Hung was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. Hung was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. Hung is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited (Stock code: 171)), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange and an independent non-executive director and chairman of the remuneration committee of CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited (Stock code: 1566)), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. Hung was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange. Mr. Hung received a bachelor ' s degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. Hung obtained a master' s degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. Hung has been a Certified Tax Adviser from July 2010 to March 2020, a member of the Taxation Institute of Hong Kong from June 2010 to March 2020, a fellow member of the Hong Kong Institute of Directors since November 2009, associate of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

* *For identification purpose only*

## SENIOR MANAGEMENT

**Mr. Peng Jinzhi (彭金志先生)**, aged 57, is the deputy financial controller and the deputy general manager of the Financial Management Department of the Group and is responsible for the overall management of the financial matters of IBO Information. Mr. Peng joined us in April 2002. Prior to joining the Group, his primary working experience includes: an accountant of Jiangxi Department Store Textile Company* (江西省百貨紡織品公司) (principally engaged in the sales of general merchandise, textiles, cultural products, metal hardware, chemicals and furniture) from March 1983 to September 1994; a general manager of the finance department of Xiamen Yincheng Company Limited* (廈門銀城股份有限公司) (principally engaged in brewing of beer, production of natural mineral water, drinks, canned foods and glassware, and wholesale and retail of beer, foods, drinks and cigarettes (retail only)) from September 1995 to October 1998; a deputy general manager and finance manager of Shandong Zouping Chaoyi Packaging Color Printing Limited* (山東鄒平超藝包裝彩色印刷有限公司) (principally engaged in processing and sales of packaging, prints, plastic films, cartons and household paper) from November 1998 to November 2001. Mr. Peng graduated from Jiangxi Institute of Finance* (江西財經學院) (now known as Jiangxi University of Finance and Economics (江西財經大學)) with a diploma in accounting (會計) in June 1991. Mr. Peng has been a member of the Chinese Institute of Certified Public Accountants and a certified tax agent since November 2003 and January 2005 respectively.

**Mr. Pang Chun Yip (彭俊業先生)**, aged 40, is the finance manager and company secretary and is responsible for the overall management of the accounting, financial compliance and secretarial matters of the Group. Mr. Pang joined the Group in May 2017. Mr. Pang has approximately 15 years of experience in accounting. Before joining the Group, from January 2005 to October 2006, he worked at Wong Kwok Tai & Co. as an audit trainee and was subsequently promoted to an audit semi-senior. During the period of March 2007 to August 2008, Mr. Pang was a semi-senior auditor at Y. L. Ngan & Company Certified Public Accountants. During the period of October 2008 to January 2015, he worked as an assistant accountant in Hanison Construction Company Limited. In January 2015, Mr. Pang joined Wang Kei Yip Development Limited and acted as a senior accountant until August 2015. From September 2015 to November 2016, Mr. Pang worked at China Overseas (Hong Kong) Limited as an accountant. Mr. Pang was a senior accountant in Big Success Accounting Services Limited from November 2016 to February 2018. Mr. Pang graduated from The Chinese University of Hong Kong with a bachelor degree in business administration in December 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

**Mr. Lai Kam Man (黎錦文先生)**, aged 32, is the assistant to the chairman of the Board, the deputy general manager of the Corporate Development Department and is responsible for the overall management of project development of the Group. Mr. KM Lai is the son of Mr. Lai Tse Ming, the chairman of the Board and an executive Director. He joined the Group in August 2013. Mr. KM Lai graduated from Jinan University (暨南大學) with a bachelor degree in international economics and trading (國際經濟與貿易) in July 2013.

**Mr. Gan Xianqing (甘顯清先生)**, aged 36, is the assistant to the chairman of the Board and the office director and the general manager of the Corporate Development Department of the Group and is responsible for the overall management of the procedural, quality and performance matters of the Group. He is also a director of IBO Information, IBO Communication, IBO Digital, IBO Information Technology, each member of Weitu Group and Shenzhen IBO Intelligent Company Limited* (艾伯智能(深圳)有限公司). Mr. Gan joined us in July 2008 as a secretary of the chairman. He graduated from South China Agricultural University (華南農業大學) with a bachelor degree in management in marketing (市場營銷) in July 2008.

* *For identification purpose only*

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wang Changhan (王昌漢先生)**, aged 58, is the vice president of IBO Information and the general manager of the information system operation and maintenance division of Sinopec for gas stations (including convenience stores) in Guangdong Province and is responsible for the overall management of the operational maintenance in system information service technology of the Group. Mr. Wang joined us in June 2004. Prior to joining the Group, Mr. Wang was an accountant of Yangchun Supply and Marketing Cooperatives* (陽春市供銷社) (principally engaged in the wholesale, retail and processing of agricultural products) from August 1981 to March 1984. Since April 1984, Mr. Wang worked for different branches of Industrial and Commercial Bank of China. Mr. Wang joined the Yangchun Branch of Industrial and Commercial Bank as an accountant in the business department in May 1984, and his last position in the Yangchun Branch was a manager in the credit business department. Mr. Wang was promoted to a vice president of the Jiangcheng Branch in Yangjiang City in 1988 and was further promoted to a branch president of the Yangxi branch in 1998. Mr. Wang graduated from Party School of the Guangdong Provincial Committee* (中共廣東省委黨校) with a bachelor degree in economics management (經濟管理) in December 2002.

**Mr. Zhu Fujian (朱福建先生)**, aged 44, is the sales director of the Group and the president of IBO Information and is responsible for the overall management of the sales matters of the Group. Mr. Zhu joined us in July 2003. Prior to joining the Group, his primary working experience includes: a technician of Guizhou Shuangyang Aircraft Factory* (貴州雙陽飛機廠) (principally engaged in the development, manufacturing, sales and services of electronic products, and the development, provision of technological advice and technical services of computer software) from August 1999; a software engineer of Shenzhen Weixin Intelligence Technology Company Limited* (深圳市威信智能技術有限公司) (principally engaged in the technology development of intelligent monitoring products and computer application system) from December 2001 to October 2002; a software engineer of Shenzhen Xifeng Group Institute* (深圳市西風集團研究院) (principally engaged in the research and development of network technology, network software, digital TV broadcasting technology and optical communication technology) from April 2003 to December 2003. Mr. Zhu graduated from Shenyang Aviation Industry School* (瀋陽航空工業學院) (now known as Shenyang Aerospace University (瀋陽航空航天大學）) with a bachelor degree in aircraft manufacturing engineering (飛行器製造工程) in July 1999 and Lanzhou Jiaotong University (蘭州交通大學) with a master degree in transportation engineering (交通運輸工程領域) in June 2011.

**Mr. Zhao Yunhui (趙雲輝先生)**, aged 51, is the project implementation director of the Group and the vice president of IBO Information and is responsible for the overall management of the project implementation matters of the Group. Mr. Zhao joined us in March 2005. Prior to joining the Group, his primary working experience includes: the general manager of Daqing Tianda Hongfang Group Automation Branch* (大慶天大宏方集團自動化分公司) (principally engaged in the automation engineering construction as well as the research, development and production of devices for instruments and metres) from March 1997 to February 2003; and the manager of major project department of Shenzhen Fu An Security Systems Limited* (深圳市賦安安全系統有限公司) (principally engaged in the research and development, manufacturing and sales of fire-fighting products and software) from March 2003 to February 2005. Mr. Zhao graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) with a bachelor degree in engineering in precision instrument (精密儀器) in July 1992.

* *For identification purpose only*

**Mr. Ke Chengwei (柯程煒先生)**, aged 47, is the vice president of the Group and is responsible for the overall management of the Group. He is also the chairman and general manager of Weitu Technology and Yunwei Network, the chairman of Fangyu Yunwei, a supervisor of Hunan Yingding and a director of Bright Leap Limited and Rise Mark Corporation Limited, all of which are the subsidiaries of the Company. He joined the Group after the Group completed the acquisition of 51.7321% ownership interests in Bright Leap Limited in January 2019. He was a computer room supervisor of Shenzhen Construction Group* (深圳市建設集團) (principally engaged in real estate development, construction general contracting, property operation and management) from 1994 to 1996 and served as the head of the research and development department in Shenzhen Yadu Graphic Software Co., Ltd.* (深圳市雅都圖形軟體有限公司) (principally engaged in the development, production and sales of computer software products and electronic automation products) from 1996 to 2004. Mr. Ke founded Weitu Technology (principally engaged in the technological development of computer software and hardware) in March 2004 and was its executive director until January 2019. Since January 2019, he has served as the chairman of Weitu Technology. He founded Yunwei Network (principally engaged in the technological development of computer software and network) in March 2016 and was its executive director until January 2019. Since January 2019, he has served as the chairman of Yunwei Network. He has served as a supervisor of Hunan Yingding (principally engaged in the research and development of network technology and software development) since September 2016, and the chairman of Fangyu Yunwei (principally engaged in the technology development, services, consulting and transfer in the field of Internet of Things) since January 2019. Mr. Ke graduated from the Computer Department of Southeast University in 1994.

* *For identification purpose only*

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2020 of the Group.

## PRINCIPAL BUSINESSES

The analysis of the Group's annual performance by operations is set out in note 5 to the consolidated financial statements. The Company is an investment holding company, the major subsidiaries of which are mainly engaged in such business activities as set forth in notes 1 and 46 to the consolidated financial statements.

## FINANCIAL RESULTS

The results of the Group for the year ended 31 March 2020 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 112.

## BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622) of Hong Kong including an analysis of the Group's performance, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the above sections headed "Chairman's Statement", "Management Discussion and Analysis" and this Report of the Directors of this annual report. Details of the Group's capital risk management and financial risk management are disclosed in notes 38 and 39 to the consolidated financial statements respectively.

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

## SHARE CAPITAL

As at 31 March 2020, the total amount of the issued share capital of the Company was approximately RMB3.47 million, divided into 413,027,509 Shares of HK$0.01 per Share. Details of changes in the share capital of the Company during the Year are set out in note 35 to the consolidated financial statements.

## ISSUED DEBENTURES

For the debentures issued by the Company, please refer to the section headed "Management Discussion and Analysis — Financial Review — Capital Structure, Liquidity and Financial Resources" as well as notes 33 and 34 to the consolidated financial statements in this report.

## EQUITY-LINKED AGREEMENTS

### Share Option Scheme

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in this report.

### Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under General Mandate

On 17 February 2019, the Company and VC Brokerage Limited (as the placing agent) entered into the placing agreement, pursuant to which the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, placees to subscribe for the convertible bonds in the aggregate principal amount of up to HK$64,000,000 at the initial conversion price of HK$1.6 per conversion Share (subject to adjustments). The last day of the three-year period from the issue date is the maturity date. The outstanding principal amount of the convertible bonds is calculated on the rate of 7.5% per annum and is payable on the maturity date. On 15 February 2019, being the last trading day before the date on which the terms of the issue were determined, the closing price of the Shares as quoted on the Stock Exchange was HK$1.6 per Share.

**Completion of the placing is conditional upon:**

(i) the Company having obtained all necessary consents and approvals in respect of the placing, including (if necessary) the passing of a resolution at the extraordinary general meeting by the Shareholders;

(ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the conversion Shares;

(iii) the placing agent having successfully procured placee(s), and the Stock Exchange having no objection to such placee(s);

(iv) the placee(s) having successfully subscribed the convertible bonds in principal amount of not less than HK$640,000;

(v) save for any temporary suspension of trading in the Shares due to the placing and subscription by the placee(s) and/or clearance of publishing announcement(s) in relation to the placing, any suspension of trading in the Shares exceeding 10 consecutive business days, or any Share ceasing to be listed on the Stock Exchange; and

(vi) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects.

Conditions precedent (i) to (v) above cannot be waived by any party to the placing agreement, but condition precedent (vi) above can be waived unilaterally by the placing agent. The parties to the placing agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 29 March 2019 (or such later date as may be agreed between the parties to the placing agreement in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by 29 March 2019, the placing agreement shall be terminated on the same day. Upon termination, all obligations of the parties to the placing agreement under the placing agreement shall cease. The above conditions precedent have been fulfilled or satisfied on or before 29 March 2019.

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under General Mandate (Continued)

**Completion of the convertible bonds subscription agreement shall be subject to the following conditions:**

(i) the Company having obtained all necessary consents and approvals in respect of subscription of the convertible bonds;

(ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the conversion Shares;

(iii) the placee having obtained all necessary consents and approvals in respect of subscription of the convertible bonds;

(iv) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects; and

(v) the representations and warranties by the placee having remained true, accurate and not misleading in all material respects.

Conditions precedent (i) to (iii) above cannot be waived by any party to the convertible bonds subscription agreement. Condition precedent (iv) above can be waived unilaterally by the placee, and condition precedent (v) above can be waived unilaterally by the Company. The parties to the convertible bonds subscription agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) within three weeks upon signing the convertible bonds subscription agreement (or such later date as may be agreed between such parties in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by the abovementioned time limit, the placee may forthwith terminate the convertible bonds subscription agreement and cancel the subscription of the convertible bonds.

On 3 April 2019, convertible bonds with an aggregate principal amount of HK$22,400,000 have been successfully placed to the placees, all of whom and whose ultimate beneficial owners are independent third parties. During the Year and as of 31 March 2020, the conversion rights attached to the convertible bonds with an principal amount of HK$1,920,000 have been exercised at the initial conversion price of HK$1.6 per conversion Share, and 1,200,000 conversion Shares have been allotted and issued to the convertible bond holders according to the terms and conditions of the convertible bonds with a par value of HK$12,000, ranking pari passu with all of the issued Shares on the date of allotment and among themselves in all aspects.

On 31 March 2020, the outstanding aggregate principal amount of convertible bonds was HK$20,480,000, assuming the full conversion into conversion Shares and based on the initial conversion price of HK$1.6 per conversion Share, 12,800,000 conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights with the aggregate nominal value of HK$128,000. The conversion Shares will be allotted and issued under the General Mandate. The allotment and issue of the conversion Shares are not subject to Shareholders' approval, but no bondholder shall exercise any conversion rights and the Company shall not issue any conversion Share in the event that the exercise of such conversion rights by the bondholder will cause: (1) the bondholder and/or parties acting in concert (as defined in the Takeovers Code) with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with the Takeovers Code, unless the bondholder undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code; and/or (2) the public float of the Company being less than 25% of its issued share capital.

The gross proceeds from the placing are approximately HK$22,400,000. The net proceeds from the placing (after deducting the placing commission and other expenses) are approximately HK$21,400,000 (equivalent to approximately RMB18,319,000). The net conversion price, after deduction of relevant expenses, is approximately HK$1.53 per conversion Share. The Directors are of the view that the placing represents a good opportunity for the Company to raise funds to strengthen its financial position without resulting in immediate dilution effect on the shareholding of the existing Shareholders. Further details are set out in the announcements of the Company dated 17 February 2019 and 3 April 2019.

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under General Mandate (Continued)

**Completion of the convertible bonds subscription agreement shall be subject to the following conditions:** (Continued)
As of 31 March 2020, the Group has utilised a total of approximately RMB3.16 million from the net proceeds, and net proceeds have been used in the manner set out in the announcement of the Company dated 3 April 2019, which are used for the project in relation to the strategic cooperation framework agreement with IAC as set out in the announcement of the Company dated 4 February 2019. The unutilised net proceeds from placing of convertible bonds have been deposited in a licensed financial institution. The utilisation of net proceeds was summarised as below:

| | Original allocation of net proceeds from placing of convertible bonds | | Actually utilised amount as of 31 March 2020 | Unutilised amount as of 31 March 2020 |
|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 |
| Project in relation to the strategic cooperation framework agreement with IAC | 100.0 | 18,319 | 3,164 | 15,155 |

### Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under General Mandate

On 10 June 2019, the Company and VC Brokerage Limited (as the placing agent) entered into the placing agreement, pursuant to which the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, placees to subscribe for the convertible bonds in the aggregate principal amount of up to HK$31,140,000 at the initial conversion price of HK$1.73 per conversion Share (subject to adjustments). The last day of the three-year period from the issue date is the maturity date. The outstanding principal amount of the convertible bonds is calculated on the rate of 7.5% per annum and is payable on the maturity date. On 10 June 2019, being the date on which the terms of the issue were determined, the closing price of the Shares as quoted on the Stock Exchange was HK$1.72 per Share.

**Completion of the placing is conditional upon:**

(i) the Company having obtained all necessary consents and approvals in respect of the placing, including (if necessary) the passing of a resolution at the extraordinary general meeting by the Shareholders;

(ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the conversion Shares;

(iii) the placing agent having successfully procured placee(s), and the Stock Exchange having no objection to such placee(s);

(iv) the placee(s) having successfully subscribed the convertible bonds in principal amount of not less than HK$311,400;

(v) save for any temporary suspension of trading in the Shares due to the placing and subscription by the placee(s) and/or clearance of publishing announcement(s) in relation to the placing, any suspension of trading in the Shares exceeding 10 consecutive business days, or any Share ceasing to be listed on the Stock Exchange; and

(vi) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects.

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under General Mandate (Continued)

**Completion of the placing is conditional upon:** (Continued)
Conditions precedent (i) to (v) above cannot be waived by any party, but condition precedent (vi) above can be waived unilaterally by the placing agent. The parties shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 17 July 2019 (or such later date as may be agreed between the parties in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by 17 July 2019, the placing agreement shall be terminated on the same day. Upon termination, all obligations of the parties under the placing agreement shall cease. The above conditions precedent have been fulfilled or satisfied on or before 17 July 2019.

**Completion of the convertible bonds subscription agreement shall be subject to the following conditions:**

(i) the Company having obtained all necessary consents and approvals in respect of subscription of the convertible bonds;

(ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the conversion Shares;

(iii) the placee having obtained all necessary consents and approvals in respect of subscription of the convertible bonds;

(iv) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects; and

(v) the representations and warranties by the placee having remained true, accurate and not misleading in all material respects.

Conditions precedent (i) to (iii) above cannot be waived by any party to the convertible bonds subscription agreement. Condition precedent (iv) above can be waived unilaterally by the Placee, and condition precedent (v) above can be waived unilaterally by the Company. The parties to the convertible bonds subscription agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) within three weeks upon signing the convertible bonds subscription agreement (or such later date as may be agreed between such parties in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by the abovementioned time limit, the placee may forthwith terminate the convertible bonds subscription agreement and cancel the subscription of the convertible bonds.

On 10 July 2019, convertible bonds with an aggregate principal amount of HK$31,140,000 have been successfully placed to the placees, all of whom and whose ultimate beneficial owners are independent third parties. During the Year and as of 31 March 2020, the conversion rights attached to the convertible bonds with an principal amount of HK$1,557,000 have been exercised at the initial conversion price of HK$1.73 per conversion Share, and 900,000 conversion Shares have been allotted and issued to the convertible bond holders according to the terms and conditions of the convertible bonds with a par value of HK$9,000, ranking pari passu with all of the issued Shares on the date of allotment and among themselves in all aspects.

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under General Mandate (Continued)

On 31 March 2020, the outstanding aggregate principal amount of convertible bonds was HK$29,583,000, assuming the full conversion into conversion Shares, based on the initial conversion price of HK$1.73 per conversion Share, 17,100,000 conversion Shares will be alloted and issued by the Company upon exercise in full of the conversion rights with the aggregate nominal value of HK$171,000. The conversion Shares will be allotted and issued under the General Mandate. The allotment and issue of the conversion Shares are not subject to Shareholders' approval, but no bondholder shall exercise any conversion rights and the Company shall not issue any conversion Share in the event that the exercise of such conversion rights by the bondholder will cause: (1) the bondholder and/or parties acting in concert (as defined in the Takeovers Code) with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with the Takeovers Code, unless the bondholder undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code; and/or (2) the public float of the Company being less than 25% of its issued share capital.

The gross proceeds from the placing will be up to HK$31,140,000. The net proceeds from the placing (after deducting the placing commission and other expenses) will be approximately HK$30,200,000 (equivalent to approximately RMB26,624,000). The net conversion price, after deduction of relevant expenses, is approximately HK$1.68 per conversion Share. The Directors are of the view that the placing represents a good opportunity for the Company to raise funds to strengthen its financial position without resulting in immediate dilution effect on the shareholding of the existing Shareholders. Further details are set out in the announcements of the Company dated 10 June 2019 and 10 July 2019.

As of 31 March 2020, the Group has utilised a total of approximately RMB17.45 million from the net proceeds, and net proceeds have been used in the manner set out in the announcement of the Company dated 10 July 2019, which are used for the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)" as set out in the voluntary announcement of the Company dated 10 June 2019. As disclosed in such voluntary announcement, at the first stage of such project of two to three years, the Company plans to contribute approximately RMB90 million for the establishment and implementation of its nine sub-projects, and the net proceeds provide the first round of funding for kicking off and setting up of such project. The unutilised net proceeds from placing of convertible bonds have been deposited in a licensed financial institution. The utilisation of net proceeds was summarised as below:

| | Original allocation of net proceeds from placing of convertible bonds | | Actually utilised amount as of 31 March 2020 | Unutilised amount as of 31 March 2020 |
|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 |
| Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目) | 100.0 | 26,624 | 17,446 | 9,178 |

* For identification purpose only

## EQUITY-LINKED AGREEMENTS (Continued)

### Connected Transaction in relation to Subscription of Shares by a Connected Person under Specific Mandate

On 17 February 2019, the Company entered into the subscription agreement with Shine Well Holdings Limited ("**Shine Well**"), pursuant to which Shine Well has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 100,000,000 subscription Shares at the subscription price of HK$1.5 per subscription Share at a cash consideration of up to HK$150,000,000. The aggregate nominal value of the subscription Shares is HK$1,000,000. The subscription Shares will be allotted and issued pursuant to the specific mandate. The subscription Shares, when issued and fully paid, will rank pari passu among themselves and with all existing Shares presently in issue and at the time of allotment and issue of the subscription Shares. The subscription will be completed in two stages with 50,000,000 subscription Shares in each of the first stage subscription (the "**First Stage Subscription**") and the second stage subscription (the "**Second Stage Subscription**"). Shine Well may not subscribe less than 50,000,000 subscription Shares in each stage. On 15 February 2019, being the last trading day before the date on which the terms of issue to be determined, the closing price of the Shares as quoted on the Stock Exchange was HK$1.6 per Share.

The estimated net proceeds from the subscription will be up to approximately HK$149 million (after deducting all relevant expenses), therefore the net issue price per subscription Share is approximately HK$1.49. The Company intends to use the proceeds from the subscription as follows:

(a) approximately RMB100 million (equivalent of the Company to approximately HK$116.04 million) will be used by the Group for investment in the I4 project (as defined in the circular of the Company dated 25 April 2019);

(b) approximately RMB19 million (equivalent to approximately HK$22.05 million) will be used by the Group for additional working capital and other general corporate purposes such as staff costs, auditor's remuneration, rental expenses, etc.; and

(c) the remaining (if any) to be utilised in promoting FSM Project in Shenzhen and national markets (approximately HK$5 million) and other projects, including but not limited to MS Project (as defined in the circular of the Company dated 25 April 2019) (approximately HK$6 million).

On 17 February 2019, 223,220,000 Shares are held by Shine Well, a controlling Shareholder, representing approximately 55.81% of the total issued Shares. Therefore, Shine Well is a connected person of the Company under Chapter 14A of the Listing Rules. The subscription agreement and the transaction contemplated thereunder constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules, and are subject to announcement, reporting and independent Shareholders' approval requirement. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai, the chairman of the Company and an executive Director, Mr. Lai is therefore materially interested in the subscription agreement and the transactions contemplated thereunder. The resolution in relation to Shine Well subscription was approved by the independent Shareholders at the extraordinary general meeting held on 17 May 2019.

The Company believes that it is financially prudent to secure substantial funding to prove the sufficient financial resources in the imminent and foreseeable future and the subscription will provide certainty of funding in this regard, and will accelerate the Company's growth by strengthening the capital base and financial position of the Company, allowing the Company to plan for future expansion and development of the projects and to secure long-term strategic cooperation with the Company's partners in the projects. The subscription also reflects the confidence and commitment to support the development of the Company by Mr. Lai, who is the controlling Shareholder of the Company.

Further details are set out in the announcements of the Company dated 17 February 2019 and 17 May 2019 and the circular of the Company dated 25 April 2019.

## EQUITY-LINKED AGREEMENTS (Continued)

### Connected Transaction in relation to Subscription of Shares by a Connected Person under Specific Mandate (Continued)

**Conditions Precedent to the First Stage Subscription**

The first stage completion is conditional upon the following conditions precedent:

(i) the Company having obtained all necessary consents and approvals in respect of the specific mandate and the subscription;

(ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the subscription Shares, and such permission remaining valid until the first stage completion;

(iii) Shine Well having obtained all necessary consents and approvals in respect of the subscription;

(iv) the respective total revenue of the Group as shown in the relevant audit report to be prepared by the auditor of the Company for each of the financial years ended 31 March 2019 and 31 March 2020 being not lower than RMB265,875,000 and RMB358,931,250;

(v) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects, and remaining so until the first stage completion; and

(vi) the representations and warranties by Shine Well having remained true, accurate and not misleading in all material respects, and remaining so until the first stage completion.

Conditions precedent (i) to (iv) above cannot be waived by any parties to the subscription agreement. Condition precedent (v) above can be waived unilaterally by Shine Well, and condition precedent (vi) above can be waived unilaterally by the Company. The parties to the subscription agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 31 July 2020 (or such later date as may be agreed between the parties to the subscription agreement in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by 31 July 2020, the Shine Well may terminate the First Stage Subscription, but such termination will not lead to the cancellation of the subscription agreement and/or the Second Stage Subscription.

To avoid any ambiguity, if the total revenue of the Group for the financial year ended 31 March 2019 is lower than RMB265,875,000 and/or if the total revenue of the Group for the financial year ended 31 March 2020 is lower than RMB358,931,250, condition precedent (iv) above shall be regarded as not having been fulfilled or satisfied.

Subject to the fulfillment or satisfaction of the conditions precedent to the First Stage Subscription (or having been waived, if applicable), the first stage completion shall take place on 30 September 2020 (or such later date as may be agreed between the parties to the subscription agreement in writing).

## EQUITY-LINKED AGREEMENTS (Continued)

### Connected Transaction in relation to Subscription of Shares by a Connected Person under Specific Mandate (Continued)

**Conditions Precedent to the Second Stage Subscription**

The second stage completion is conditional upon the following conditions precedent:

(i) (if the Second Stage Subscription is not covered by the consents and approvals set out in the aforementioned condition precedent (i) to the First Stage Subscription) the Company having obtained all necessary consents and approvals in respect of the specific mandate and the subscription;

(ii) (if the Second Stage Subscription is not covered by the approval set out in the aforementioned condition precedent (ii) to the First Stage Subscription) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the subscription Shares, and such permission remaining valid until the second stage completion;

(iii) Shine Well having obtained all necessary consents and approvals in respect of the subscription;

(iv) the respective total revenue of the Group as shown in the relevant audit report to be prepared by the auditor of the Company for each of the financial years ending 31 March 2019, 31 March 2020 and 31 March 2021 being not lower than RMB265,875,000, RMB358,931,250 and RMB484,557,190;

(v) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects, and remaining so until the second stage completion; and

(vi) the representations and warranties by Shine Well having remained true, accurate and not misleading in all material respects, and remaining so until the second stage completion.

Conditions precedent (i) to (iv) above cannot be waived by any parties to the subscription agreement. Condition precedent (v) above can be waived unilaterally by Shine Well, and condition precedent (vi) above can be waived unilaterally by the Company. The parties to the subscription agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 31 July 2021 (or such later date as may be agreed between the parties to the subscription agreement in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by 31 July 2021, Shine Well may terminate the Second Stage Subscription, but such termination will not lead to the cancellation of the Subscription Agreement and/or the First Stage Subscription.

To avoid any ambiguity, if the total revenue of the Group for the financial year ended 31 March 2019 is lower than RMB265,875,000 and/or if the total revenue of the Group for the financial year ended 31 March 2020 is lower than RMB358,931,250 and/ or if the total revenue of the Group for the financial year ending 31 March 2021 is lower than RMB484,557,190, condition precedent (iv) above shall be regarded as not having been fulfilled or satisfied.

Subject to the fulfillment or satisfaction of the conditions precedent to the Second Stage Subscription (or having been waived, if applicable), the second stage completion shall take place on 30 September 2021 (or such later date as may be agreed between the parties to the subscription agreement in writing).

As at 31 March 2020, the conditions precedent to the First Stage Subscription and Second Stage Subscription have not been fulfilled.

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Share Capital of Bright Leap Involving Issue of Consideration Shares under General Mandate

On 13 September 2018, Upright Joy, a wholly-owned subsidiary of the Company:

(1) entered into a sale and purchase agreement with Wisdom Galore, pursuant to which Wisdom Galore has conditionally agreed to sell and Upright Joy has conditionally agreed to acquire 47% of the issued share capital of Bright Leap, at the consideration of RMB75,200,000 (equivalent to approximately HK$86,171,680), which shall be settled by (i) RMB27,520,000 in cash; and (ii) the allotment and issuance of up to 27,318,773 Consideration Shares under the General Mandate at the Issue Price of HK$2.0 by the Company to Wisdom Galore. The Consideration Shares may be adjusted under the guaranteed profit arrangement. On 20 September 2018, Upright Joy entered into a sale and purchase supplemental agreement with Wisdom Galore to amend and clarify certain formulas relating to the consideration mechanism for the Consideration Shares; and

(2) entered into a sale and purchase agreement with Thriving Ascend, pursuant to which Thriving Ascend has conditionally agreed to sell and Upright Joy has conditionally agreed to acquire 4.7321% of the issued share capital of Bright Leap, at the consideration of RMB7,571,360 (equivalent to approximately HK$8,676,021), which shall be settled by cash in full.

Weitu Group is indirectly and wholly-owned by Bright Leap.

Pursuant to the sale and purchase agreements, the Bright Leap Acquisition shall be subject to fulfilment of the following conditions precedent:

(a) Upright Joy, its agent or professional advisers having performed the due diligence review (in relation to legal, accounting, finance, business, operation or any other matters, which in the Upright Joy's opinion are important) Bright Leap and its subsidiaries, the results of which being satisfactory to Upright Joy;

(b) Wisdam Galore, Thriving Ascend, Bright Leap or its agent having provided the valuation report of the Weitu Group to the Upright Joy and the valuation of the Weitu Group stated therein being not less than RMB160,000,000;

(c) the reorganisation having been completed by Bright Leap and its subsidiaries;

(d) the listing committee of the Stock Exchange having approved the listing of, and granted the permission to deal in, the Consideration Shares, the number of which represents the upper limit of the Shares required to be issued;

(e) Upright Joy having obtained all necessary permissions and approvals relating to the sale and purchase agreements and transactions contemplated thereunder, and completed relevant registration procedures (if necessary) in accordance with all applicable laws and regulations; and

(f) upon completion of the transaction, the representations, warranties and undertakings by Wisdam Galore and Thriving Ascend under the sale and purchase agreements remaining true, accurate, complete and not misleading or having been violated, and there having been no event or situations leading to any material adverse changes.

The above conditions precedent have been fulfilled or satisfied in or before January 2019. The Bright Leap Acquisition was completed in January 2019. Pursuant to the sale and purchase agreement entered into between the Company and Wisdom Galore, Wisdom Galore, Bright Leap and Mr. Ke Chengwei (the guarantor) have made, guaranteed and promised, among other things, that the guaranteed profit for the year ended 31 March 2019 shall not be less than RMB10,000,000 (the "**First Year Guaranteed Profit**"), respectively.

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Share Capital of Bright Leap Involving Issue of Consideration Shares under General Mandate (Continued)

The audited total profit of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong and Weitu Group for the year ended 31 March 2019 excessed the First Year Guaranteed Profit. Under the below Consideration Shares adjustment mechanism for the year ended 31 March 2019, 10,927,509 Consideration Shares of the First Year Guaranteed Profit have been allotted and issued to Wisdom Galore pursuant to the General Mandate on 17 September 2019. Further details are set out in the announcements of the Company dated 13 September 2018, 21 September 2018 and 17 September 2019.

Pursuant to the sale and purchase agreement entered into between the Company and Wisdom Galore, Wisdom Galore, Bright Leap and Mr. Ke Chengwei (the guarantor) have made, guaranteed and promised, among other things, that the guaranteed profit for the year ended 31 March 2020 shall not be less than RMB20,000,000 (the "**Second Year Guaranteed Profit**"), respectively.

The audited total profit of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong and Weitu Group for the year ended 31 March 2020 (the "**Second Year Actual Profit**") is expected to exceed the Second Year Guaranteed Profit. Under the relevant Consideration Shares adjustment mechanism, 8,195,632 Consideration Shares (the "**Second Year Consideration Shares**") of the Second Year Guaranteed Profit will be allotted and issued to Wisdom Galore pursuant to the General Mandate if Second Year Actual Profit exceed the Second Year Guaranteed Profit. The Second Year Consideration Shares are expected to be allotted and issued in the third quarter of 2020. Announcement will be made for the allotment and issuance of the Second Year Consideration Shares.

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Share Capital of Bright Leap Involving Issue of Consideration Shares under General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:**
**For the year ended 31 March 2019:**

(a) If the net profit set out in the audited accounts of Bright Leap and its subsidiaries for the year ended 31 March 2019 (the "**First Year Actual Profit**") is not less than RMB 10,000,000 (the "**First Year Guaranteed Profit**"), Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$S1 = \frac{(V \times 47\,\% - CC) \times 0.4 \times E}{SP}$$

where

S1 means the number of Consideration Shares to be issued by the Company in respect of the First Year Guaranteed Profit
V means the valuation of the Bright Leap and its subsidiaries of RMB160,000,000 (the "**Valuation**")
CC means the cash consideration of RMB27,520,000 (the "**Cash Consideration**")
E means the exchange rate for the conversion of RMB1 into HK$1.1459 issued by the People's Bank of China on the date of the signing of the first sale and purchase agreement (the "**Exchange Rate**")
SP means the Issue Price

(b) If the First Year Actual Profit is less than the First Year Guaranteed Profit, Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$S1 = \frac{(V \times 47\,\% - CC) \times 0.4 \times E}{SP} \times \frac{AP1}{GP1}$$

where

S1 means the number of Consideration Shares to be issued by the Company in respect of the First Year Guaranteed Profit
V means the Valuation
CC means the Cash Consideration
E means the Exchange Rate
SP means the Issue Price
AP1 means the First Year Actual Profit, which shall be deemed to be nil in case of loss
GP1 means the First Year Guaranteed Profit

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Share Capital of Bright Leap Involving Issue of Consideration Shares under General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)
**For the year ended 31 March 2020:**

(a) If the net profit set out in the audited accounts of Bright Leap and its subsidiaries for the year ended 31 March 2020 (the "**Second Year Actual Profit**") is less than RMB20,000,000 (the "**Second Year Guaranteed Profit**"), Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$S2 = \frac{(V \times 47\,\% - CC) \times 0.3 \times E}{SP}$$

Where

S2 means the number of Consideration Shares to be issued by the Company in respect of the Second Year Guaranteed Profit
V means the Valuation
CC means the Cash Consideration
E means the Exchange Rate
SP means the Issue Price

(b) If the Second Year Actual Profit is less than the Second Year Guaranteed Profit, Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$S2 = \frac{(V \times 47\,\% - CC) \times 0.3 \times E}{SP} \times \frac{AP2}{GP2}$$

Where

S2 means the number of Consideration Shares to be issued by the Company in respect of the Second Year Guaranteed Profit
V means the Valuation
CC means the Cash Consideration
E means the Exchange Rate
SP means the Issue price
AP2 means the Second Year Actual Profit, which shall be regarded as zero if there is a loss
GP2 means the Second Year Guaranteed Profit

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Share Capital of Bright Leap Involving Issue of Consideration Shares under General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)
**For the year ended 31 March 2021:**

(a) If the net profit set out in the audited accounts of Bright Leap and its subsidiaries for the year ended 31 March 2021 (the "**Third Year Actual Profit**") is less than RMB25,000,000 (the "**Third Year Guaranteed Profit**"), Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$S3 = \frac{(V \times 47\,\% - CC) \times 0.3 \times E}{SP}$$

Where

S3 means the number of Consideration Shares to be issued by the Company in respect of the Third Year Guaranteed Profit
V means the Valuation
CC means the Cash Consideration
E means the Exchange Rate
SP means the Issue Price

(b) If the Third Year Actual Profit is less than the Third Year Guaranteed Profit, Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$S3 = \frac{(V \times 47\,\% - CC) \times 0.3 \times E}{SP} \times \frac{AP3}{GP3}$$

Where

S3 means the number of Consideration Shares to be issued by the Company in respect of the Third Year Guaranteed Profit
V means the Valuation
CC means the Cash Consideration
E means the Exchange Rate
SP means the Issue Price
AP3 means the Third Year Actual Profit, which shall be regarded as zero if there is a loss
GP3 means the Third Year Guaranteed Profit

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Share Capital of Bright Leap Involving Issue of Consideration Shares under General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)
**For the three years ended 31 March 2021:**

If the net profit/loss set out in the audited accounts of Bright Leap and its subsidiaries for the year ended 31 March 2019 (the "**First Year Actual Profit/Loss**"), the net profit/loss set out in the audited accounts for the year ended 31 March 2020 (the "**Second Year Actual Profit/Loss**") and the net profit/loss set out in the audited accounts for the year ended 31 March 2021 (the "**Third Year Actual Profit/Loss**") in aggregate is not less than the sum of the First Year Guaranteed Profit, the Second Year Guaranteed Profit and the Third Year Guaranteed Profit (i.e. RMB 55,000,000), Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$SD = \frac{(V \times 47\,\% - C - C) \times E}{SP} - SA$$

Where

SD means the remainder of Consideration Shares to be issued by the Company
V means the Valuation
CC means the Cash Consideration
SP means the Issue Price
E means the Exchange Rate
SA means the Consideration Shares already issued

If the First Year Actual Profit/Loss, the Second Year Actual Profit/Loss and the Third Year Actual Profit/Loss in aggregate is less than the sum of the First Year Guaranteed Profit, the Second Year Guaranteed Profit and the Third Year Guaranteed Profit (i.e. RMB 55,000,000), Upright Joy shall procure the Company to allot and issue the Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

$$SD = \frac{(V \times 47\,\% - C\,C) \times E}{SP} \times \frac{AP}{GP} - SA$$

Where

SD means the remainder of Consideration Shares to be issued by the Company, which shall be regarded as zero if it is a negative number
V means the Valuation
CC means the Cash Consideration
SP means the Issue Price
E means the Exchange Rate
AP means the aggregate amount of the First Year Actual Profit/Loss, the Second Year Actual Profit/Loss and the Third Year Actual Profit/Loss, which shall be regarded as zero if the sum is a negative number
GP means the sum of the First Year Guaranteed Profit, the Second Year Guaranteed Profit and the Third Year Guaranteed Profit
SA means the Consideration Shares already issued

## RELATIONSHIP WITH EMPLOYEES

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

## CHARITY AND DONATIONS

During the Year, the Group did not make any charitable donation (2019: Nil).

## RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

## DISTRIBUTABLE RESERVES

The reserves distributable to the Shareholders amounting approximately RMB225.80 million as at 31 March 2020 (2019: approximately RMB266.81 million) included share premium and retained profits.

# REPORT OF THE DIRECTORS

## DIRECTORS

During the Year and up to the date of this report, the Directors comprised:

### Executive Directors

Mr. Lai Tse Ming *(Chairman)*
Mr. Gao Weilong *(Chief Executive Officer)*
Ms. Cheng Yan *(Vice Chairperson)(Note)*
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

*Note:* Ms. Cheng was appointed as an executive Director and vice chairperson of the Company on 7 August 2019, and Ms. Cheng has resigned the above positions with effect from 25 May 2020 since Ms. Cheng wishes to start her personal career. Ms. Cheng has confirmed that there is no disagreement with the Board and she is not aware of any matters that need to be brought to the attention of the Shareholders or the Stock Exchange in relation to her resignation.

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

Pursuant to the articles of association of the Company (the "**Articles of Association**") and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, Mr. Gao Weilong, Mr. Teng Feng and Dr. He Tianxiang shall retire by rotation in accordance with Articles 84 of the Articles of Association. All retiring Directors are eligible and willing to offer themselves for re-election at the forthcoming annual general meeting.

## CHANGES TO DIRECTORS' INFORMATION

The changes of information of the Directors since the date of the annual report of the Company for the year ended 31 March 2019 pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

**Mr. Lai Tse Ming**

- Mr. Lai is a director of each of the Company's subsidiaries (excluding IBO Digital, each member of Weitu Group, Shenzhen IBO Intelligent Company Limited* (艾伯智能(深圳)有限公司), IBO Information Technology and IBO Communication) at the date of this report.

**Mr. Gao Weilong**

- Mr. Gao has ceased to be a chairman of IBO Information Technology since September 2019.

**Mr. Yu Kin Keung**

- Mr. Yu has served as a director of Good Cheer and Sunny Ford Technology Limited, both of which are the investment companies of the Company, since October 2019.

**Mr. Hung Muk Ming**

- Mr. Hung has ceased to be a Certified Tax Adviser and a member of the Taxation Institute of Hong Kong since March 2020.

* *For identification purpose only*

## PERMITTED INDEMNITY PROVISION

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

## DIRECTORS' SERVICE CONTRACTS

Each of the Directors entered into a service contract or letter of appointment with the Company for a term of three years, which shall continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections headed "Equity-linked Agreements", "Share Option Scheme", "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" and "Connected transaction and Related Party Transaction" in this report, the Company, its holding company or any of its subsidiaries had not entered into any arrangements at any time during the Year to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) or their respective associates to acquire benefits by means of acquisitions of Shares in, and/or debt securities (including the 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' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the sections headed "Equity-linked Agreements", "Share Option Scheme", "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" and "Connected transaction and Related Party Transaction" in this report and note 45 to the consolidated financial statements, no material transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed in this report and in the consolidated financial statements, no controlling Shareholder or any of its subsidiaries had any material contract (including material contracts for the provision of services) with the Company or its subsidiaries during the Year.

## MANAGEMENT CONTRACTS

During the Year, no management and administration contracts involving the entire or any material part of the Group's business were entered into or existed.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2020 by independent professional property valuer and the gain/loss arising as changes in fair value of investment properties, which had been charged directly to profit or loss. Details of the Group's properties as at 31 March 2020 are set out on note 18 to the consolidated financial statements.

Such investment properties represent a total of 8 office units with unit numbers of 8A to 8H for office purpose which are located at 8th Floor, Yonghui Building of Guoqi Mansion, No. 1002 of Shangbu South Road, Futian District, Shenzhen City, Guangdong Province, the PRC. They have a gross floor area of approximately of 732.76 sq.m. and is freehold.

## SHARE OPTION SCHEME

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

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

### (a) Purpose

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

### (b) Scope of participants and eligibility of participants

The Board may, at its discretion, invite:

(i) director (including any executive, non-executive and independent non-executive director) or any employee (whether full-time or part-time) of any member of the Group;

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

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

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

(v) any other person who the Board considers, in its sole determination, has contributed to the Group to take up the share options.

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

## SHARE OPTION SCHEME (Continued)

### (c) Acceptance of Offer

Offer of a share option ("**Offer**") shall be deemed to have been accepted by the grantee when the duplicate letter comprising acceptance of the Offer duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the Offer.

### (d) Subscription price

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

### (e) Maximum number of Shares available for subscription

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

(ii) Subject to (iv) below, the Company may seek approval of the Shareholders in general meeting to refresh the 10% limit set out in (i) above such that the total number of Shares in respect of which Share Options may be granted by the Board under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of the Shares in issue as at the date of approval of the refreshed limit.

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

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

### (f) Conditions, restrictions or limitations on offers of share options

Unless otherwise determined by the Board and specified in the letter containing the Offer, there is no minimum period for which a share option must be held before it can be exercised and no performance target need to be achieved by the grantee before the share options can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board shall be entitled at anytime during the life of the Share Option Scheme to make an Offer to any participant as the Board may in its absolute discretion impose any conditions, restrictions or limitations in relation to the share options.

## SHARE OPTION SCHEME (Continued)

### (g) Maximum entitlement of Shares of each participant

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

(ii) Notwithstanding (i) above, any further grant of share options to a participant in aggregate over 1% of the total numbers of Shares in issue must be separately approved by the Shareholders in general meeting with such participant and his close associates (or his close associates if the participant is a connected person) abstaining from voting. The number and the terms of the Share Options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

### (h) Grant of share options to connected persons

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

(ii) Where the Board proposes to grant any share option to a participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates and such grant, would result the Shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such participant in the 12-month period up to and including the proposed Offer date of such grant:

(1) representing in aggregate more than 0.1% of the total number of Shares in issue at the date of such grant; and

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

### (i) Exercise of share options

A share option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which such share option was granted, at any time during the option period, which a period to be notified by the board provided that the period within which a share option must be exercised shall not be more than 10 years from the date of grant. A share option shall lapse automatically (to the extent not already exercised) on the earliest of the expiry of the option period.

## SHARE OPTION SCHEME (Continued)

### (j) Duration of the Share Option Scheme

The Share Option Scheme shall remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which no further share options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Share Option Scheme and not then exercised shall continue to be exercisable in accordance with their terms of issue.

The scheme mandate limit of the Share Option Scheme was refreshed on 15 October 2019 as the Shareholders passed an ordinary resolution at an extraordinary general meeting of the Company to refresh the 10% scheme mandate limit under the Share Option Scheme in order to enable the Company to grant further options up to a maximum of 41,092,750 Shares based on the 410,927,509 issued Shares. As of the date of this report, the Company had not granted share options pursuant to the refreshed 10% scheme mandate limit. As at the date of this report, the outstanding number of share options available for issue under the existing scheme mandate limit is 41,092,750, representing 9.9% of the issued Shares.

The maximum number of Shares which may be issued upon exercise of all share options granted and/or to be granted under the Share Option Scheme is 101,092,750 Shares, representing 24.5% of the total number of issued Shares as at the date of this report.

## SHARE OPTION SCHEME (Continued)

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

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2019 | During the Year: Granted | During the Year: Exercised | During the Year: Cancelled | During the Year: Lapsed | Outstanding as at 31 March 2020 | 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** | | | | | | | | | | | | |
| Ms. Cheng | 15 October 2019 | – | 6,000,000 | – | – | – | 6,000,000 | 15 October 2019 to 6 August 2020 | 7 August 2020– 6 August 2023 | 1.6 | 2.00 | *(Note 1)* |
| Ms. Cheng | 15 October 2019 | – | 6,000,000 | – | – | – | 6,000,000 | 15 October 2019 to 6 August 2021 | 7 August 2021– 6 August 2023 | 1.6 | 2.00 | *(Note 1)* |
| Ms. Cheng | 15 October 2019 | – | 8,000,000 | – | – | – | 8,000,000 | 15 October 2019 to 6 August 2022 | 7 August 2022– 6 August 2023 | 1.6 | 2.00 | *(Note 1)* |
| Mr. Lai | 17 May 2019 | – | 6,000,000 | – | – | – | 6,000,000 | Vested immediately on the date of grant | 17 May 2019– 16 February 2022 | 1.6 | 1.78 | *(Note 2)* |
| Mr. Lai | 17 May 2019 | – | 6,000,000 | – | – | – | 6,000,000 | 17 May 2019 to 16 February 2020 | 17 February 2020– 16 February 2022 | 1.6 | 1.78 | *(Note 2)* |
| Mr. Lai | 17 May 2019 | – | 8,000,000 | – | – | – | 8,000,000 | 17 May 2019 to 16 February 2021 | 17 February 2021– 16 February 2022 | 1.6 | 1.78 | *(Note 2)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| **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 | *(Note 3)* |
| 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 | *(Note 3)* |
| 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 | *(Note 3)* |
| **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 | *(Note 3)* |
| **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 | *(Note 3)* |
| **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 | *(Note 3)* |
| Total | | 40,000,000 | 40,000,000 | – | – | – | 80,000,000 | | | | | |

*Notes:*

1. On 7 August 2019, the Board proposed to grant 20,000,000 share options to Ms. Cheng in aggregate. At the extraordinary general meeting held on 15 October 2019, the resolution in respect of approving the proposed grant of share options to Ms. Cheng was duly passed by Shareholders by the way of poll. Ms. Cheng resigned as an executive Director and vice chairperson of the Company on 25 May 2020 and the Board cancelled her 20,000,000 share options on the same day. Further details are set out in the announcements of the Company dated 7 August 2019, 15 October 2019 and 25 May 2020, as well as the circular of the Company dated 17 September 2019.

2. On 17 February 2019, the Board proposed to grant 20,000,000 share options to Mr. Lai in aggregate. At the extraordinary general meeting held on 17 May 2019, the resolution in respect of approving the proposed grant of share options to Mr. Lai was duly passed by Shareholders by the way of poll. Further details are set out in the announcements of the Company dated 17 February 2019 and 17 May 2019, as well as the circular of the Company dated 25 April 2019. All granted or outstanding share options granted to Mr. Lai shall lapse after 16 February 2022.

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

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

As at 31 March 2020, 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 Director | 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 | Interest of controlled corporation and beneficial owner | 323,220,000 *(Notes 2, 4, 6)* | 20,000,000 | 83.10% |
| Ms. Cheng | Beneficial owner | – | 20,000,000 | 4.84% |
| Mr. Gao | Beneficial owner | – | 4,000,000 | 0.97% |
| Mr. Teng | Beneficial owner | – | 4,000,000 | 0.97% |
| Mr. Yu | Beneficial owner | – | 4,000,000 | 0.97% |

### Long positions in the ordinary shares of an 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 5)* | 13,000,000 *(Note 6)* | 100% |

*Notes:*

1. The percentage of shareholding is calculated based on 413,027,509 Shares in issue as at 31 March 2020.

2. These 323,220,000 Share interests are held by 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 set out in the section headed "Share Option Scheme".

4. In the disclosure of those 323,220,000 Share interests, 100,000,000 Shares were related to the subscription agreement entered into between the Company and Shine Well on 17 February 2019, pursuant to which, Shine Well has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue a total of 100,000,000 subscription shares at the subscription price of HK$1.5 per subscription share at a cash consideration of up to HK$150,000,000. The aggregate nominal value of the subscription shares is HK$1,000,000. The subscription will be completed in two stages with 50,000,000 subscription shares in each of the First Stage Subscription and the Second Stage Subscription. Shine Well may not subscribe less than 50,000,000 subscription shares in each stage. The estimated net proceeds from the subscription will be up to approximately HK$149,000,000 (after deducting all related expenses), and therefore the net issue price per subscription share is approximately HK$1.49. Further details are set out in the Company's announcements dated 17 February 2019 and 17 May 2019, and the circular dated 25 April 2019. As at 31 March 2020, the conditions precedent for the First Stage Subscription and the Second Stage Subscription as set out in the subscription agreement were not fulfilled.

5. Shine Well is wholly and beneficially owned by Mr. Lai.

6. On 29 January 2019, Shine Well entered into a mortgage of shares with Fortune Finance Limited in respect of an aggregate of 223,220,000 Shares and any additional Shares of the Company in which Shine Well are beneficially interested from time to time, while Mr. Lai entered into a mortgage of shares with Fortune Finance Limited in respect of 13,000,000 shares of Shine Well. The purpose of such mortgages of shares is to fulfill the commitment to Fortune Finance Limited made by Shine Well in the financing agreement in relation to a fixed-term loan in the principal amount of HK$155,000,000 for a term of 12 months from 30 January 2019, in which Mr. Lai acts as the guarantor. On 13 May 2020, Shine Well and Mr. Lai entered into a supplemental financing agreement with Fortune Finance Limited to extend the loan repayment period to 31 October 2020 and such period may be further extended to 30 April 2021 with a prior written consent from Fortune Finance Limited.

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

Save as disclosed herein, as at 31 March 2020, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, 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:

### Substantial Shareholders' long positions in the Shares

| Name of Shareholders | Capacity/Nature of interests | Number of Shares held/interested in | Underlying Shares (under equity derivatives of the Company) *(Note 3)* | Percentage of shareholding *(Note 1)* |
|---|---|---|---|---|
| Shine Well *(Note 2)* | Beneficial owner | 323,220,000 *(Note 4, 5)* | – | 78.26% |
| Ms. Ho Fung Lin ("**Ms. Ho**") *(Note 2)* | Interests of spouse | 323,220,000 *(Note 4, 5)* | 20,000,000 | 83.10% |
| China Fortune Financial Group Limited *(Note 6)* | Interests in a controlled corporation | 223,220,000 *(Note 5)* | – | 54.04% |
| Fortune Financial (Holdings) Limited *(Note 6)* | Interests in a controlled corporation | 223,220,000 *(Note 5)* | – | 54.04% |
| Fortune Finance Limited *(Note 6)* | Security interests in shares | 223,220,000 *(Note 5)* | – | 54.04% |

### Other persons' long positions in the Shares

| Name of Shareholders | Capacity/Nature of interests | Number of Shares held/interested in | Percentage of shareholding *(Note 1)* |
|---|---|---|---|
| Value Convergence Holdings Limited *(Note 7)* | Beneficial owner | 32,606,000 | 7.89% |

*Notes:*

1. The percentage of shareholding is calculated based on 413,027,509 Shares in issue as at 31 March 2020.

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. Details of share options are set out in the section headed "Share Option Scheme".

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

### Other persons' long positions in the Shares (Continued)

*Notes: (Continued)*

4. In the disclosure of those 323,220,000 Share interests, 100,000,000 Shares were related to the subscription agreement entered into between the Company and Shine Well on 17 February 2019, pursuant to which, Shine Well has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue a total of 100,000,000 subscription shares at the subscription price of HK$1.5 per subscription share at a cash consideration of up to HK$150,000,000. The aggregate nominal value of the subscription shares is HK$1,000,000. The subscription will be completed in two stages with 50,000,000 subscription shares in each of the First Stage Subscription and the Second Stage Subscription. Shine Well may not subscribe less than 50,000,000 subscription shares in each stage. The estimated net proceeds from the subscription will be up to approximately HK$149,000,000 (after deducting all related expenses), and therefore the net issue price per subscription share is approximately HK$1.49. Further details are set out in the Company's announcements dated 17 February 2019 and 17 May 2019, and the circular dated 25 April 2019. As at 31 March 2020, the conditions precedent for the First Stage Subscription and the Second Stage Subscription as set out in the subscription agreement were not fulfilled.

5. On 29 January 2019, Shine Well entered into a mortgage of shares with Fortune Finance Limited in respect of an aggregate of 223,220,000 Shares and any additional Shares of the Company in which Shine Well are beneficially interested from time to time, while Mr. Lai entered into a mortgage of shares with Fortune Finance Limited in respect of 13,000,000 shares of Shine Well. The purpose of such mortgages of shares is to fulfill the commitment to Fortune Finance Limited made by Shine Well in the financing agreement in relation to a fixed-term loan in the principal amount of HK$155,000,000 for a term of 12 months from 30 January 2019, in which Mr. Lai acts as the guarantor. On 13 May 2020, Shine Well and Mr. Lai entered into a supplemental financing agreement with Fortune Finance Limited to extend the loan repayment period to 31 October 2020 and such period may be further extended to 30 April 2021 with a prior written consent from Fortune Finance Limited.

6. China Fortune Financial Group Limited is a company incorporated in the Cayman Islands with limited liability and listed on the Main Board (Stock code: 0290). Fortune Financial (Holdings) Limited and Fortune Finance Limited are companies incorporated in the BVI and Hong Kong with limited liability respectively and are wholly-owned by China Fortune Financial Group Limited.

7. Value Convergence Holdings Limited is a company incorporated in Hong Kong with limited liability and listed on the Main Board (Stock code: 0821).

Save as disclosed above, and as at 31 March 2020, 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.

## EMOLUMENT POLICY

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

## REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having regard to relevant Director's experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration. Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 12 and 13 to the consolidated financial statements in this annual report.

## RETIREMENT SCHEMES

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## CONNECTED TRANSACTION AND RELATED PARTY TRANSACTION

On 17 February 2019, the Company and Shine Well entered into the subscription agreement, pursuant to which Shine Well has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 100,000,000 subscription Shares at the subscription price of HK$1.5 per subscription Share at a cash consideration of up to HK$150,000,000. The aggregate nominal value of the subscription Shares is HK$1,000,000. The subscription will be completed in two stages with 50,000,000 subscription Shares in each of the First Stage Subscription and the Second Stage Subscription. Shine Well may not subscribe less than 50,000,000 subscription Shares in each stage. The estimated net proceeds from the subscription will be up to approximately HK$149,000,000 (after deducting all related expenses), and therefore the net issue price per subscription Share is approximately HK$1.49. Further details are set out in the section headed "Equity-linked Agreements — Connected Transaction in Relation to Subscription of Shares by a Connected Person under Specific Mandate" in this report, the Company's announcements dated 17 February 2019 and 17 May 2019, and the circular dated 25 April 2019.

On 17 February 2019, Shine Well held 223,220,000 Shares, representing approximately 55.81% of the total issued Shares, and therefore is the controlling Shareholder. Accordingly, Shine Well is a connected person of the Company under Chapter 14A of the Listing Rules. The subscription agreement and the transaction contemplated thereunder constitutes a non-exempt connected transaction for the Company under the Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent Shareholders' approval requirements. As at 31 March 2020, the conditions precedent for the First Stage Subscription and the Second Stage Subscription as set out in the subscription agreement were not fulfilled.

The Company considers that the above mentioned subscription will provide certainty of funding in its projects, and will accelerate the Company's growth by strengthening the capital base and financial position of the Company, allowing the Company to plan for future expansion and development of different projects and to secure long-term strategic cooperation with the Company's partners in its projects. The subscription also reflects the confidence and commitment to support the development of the Company by Mr. Lai, who is the controlling Shareholder.

The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai, the chairman and executive Director of the Company, and therefore Mr. Lai has material interests in the subscription agreement and the transaction contemplated thereunder.

Save as disclosed above, details of related party transactions of the Group are set out in note 45 to the consolidated financial statements. As the relevant transaction constitutes de minimis continuing connected transaction of our Company under Rule 14A.76 of the Listing Rules which will be fully exempted from the reporting, annual review, announcement and independent Shareholders ' approval requirements under Chapter 14A of the Listing Rules, as such, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## DEED OF NON-COMPETITION

The Company has received the written confirmation from each of Mr. Lai and Shine Well (the "**Covenantors**") in respect of the compliance with provisions of the Deed of Non-competition ("**Deed of Non-competition**") entered into between the Covenantors and the Company as set out in the paragraphs headed "NON-COMPETITION UNDERTAKING" in the section headed "RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS" of the prospectus of the Company dated 14 December 2017 during the Year. Each of the Covenantors has given confirmation and representation that, during the Year, he/it has strictly complied with the Deed of Non-competition without any breach thereof. All the independent non-executive Directors have reviewed the matters in relation to the enforcement of the Deed of Non-competition, and each of them was of the view that the Covenantors have complied with the provisions of the Deed of Non-competition during the Year.

## COMPETING BUSINESS

During the Year, none of the Directors or the controlling Shareholder and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

## PURCHASE, SALE OR REDEMPTION OF SHARES

For the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

The 5 largest customers of the Group accounted for approximately 80% of the Group's revenue and the largest customer accounted for approximately 46% of the Group's revenue. The 5 largest suppliers of the Group accounted for 98% of the Group's purchases and the largest supplier accounted for approximately 37% of the Group's purchases.

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company issued 100,000,000 new Shares for the Listing at the offer price of HK$1.5 per Share. The net proceeds, after deducting underwriting commissions and issuing expenses from Listing, were approximately RMB88.00 million.

As of 31 March 2020, the Group has utilised all the net proceeds, and the 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 utilisation of net proceeds was summarised as below:

| | Original allocation of net proceeds from global offering | | Actually utilised amount as of 31 March 2020 | Unutilised amount as of 31 March 2020 |
|---|---|---|---|---|
| | % | 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 | – |
| Used for identifying beneficial strategic investment opportunities from 2017 to 2019 | 19.4 | 17,072 | 17,072 | – |
| Used for further enhancement of our R&D development capability, in technologies including but not limited to digital driver and vehicle identification, face detection and digital monitoring of gas cylinders technologies from 2017 to 2019 | 16.3 | 14,344 | 14,344 | – |
| Used for additional working capital and other general corporate purpose | 10.0 | 8,800 | 8,800 | – |
| | 100.0 | 88,000 | 88,000 | – |

## CLOSURE OF THE REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING

To determine the eligibility of the Shareholders to attend the annual general meeting to be held on 15 September 2020, the register of members will be closed from 10 September 2020 to 15 September 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 9 September 2020.

## EVENTS AFTER THE REPORTING PERIOD

### Resignation of Executive Director and Vice Chairperson and Cancellation of Share Options

Ms. Cheng Yan (程雁) has resigned as an executive Director and vice chairperson of the Company with effect from 25 May 2020 since Ms. Cheng wishes to start her personal career. On the same day, the Board also cancelled 20,000,000 share options granted to Ms. Cheng by the Company. Further details are set out in the announcement of the Company dated 25 May 2020.

### Agent Cooperation Agreement for 5G Pico Base Stations Series Products

On 15 June 2020, based on the principle of mutual complementarity and integrity and win-win cooperation, upon mutual negotiation and consent, the Company and Wafer Systems have reached an agent cooperation agreement for 5G pico base stations series products in respect of the related issues of Wafer Systems's promotion and sales of 5G pico base station related products provided by IBO Communication. The agreement shall be abided by both parties.

The 5G pico base station related products provided by IBO Communication include host control units (BBU) of pico base stations, extension units (EU) of pico base stations, remote radio units (RRU) of pico base stations, network management, installation services and core network.

Wafer Systems is responsible for all business activities including pre-sales, in-sales, and after-sales connection, communication, coordination, etc., and promotes the conclusion of transactions and collections as agreed. The Company cooperates with Wafer Systems to provide necessary pre-sales technical communication, exchanges and guidance, to enter into product sales contracts with end customers, and to deliver the products and render aftersales services for the products. Both parties are customer-centric, and if necessary, serve the end customers in the form of a unified team. Further details are set out in the announcement of the Company dated 15 June 2020.

### Entering into Strategic Cooperation Agreement with Eternal Asia Supply Chain

On 24 June 2020, in view of the long-term development strategy of IBO Information and Eternal Asia Supply Chain, and in the spirit of cooperation of "reciprocity, mutual benefit, stability, long-lasting, high efficiency and high quality", the parties decided to join forces to establish an in-depth strategic partnership in respect of the provision of the supply chain platform services for 5G small (pico) base station related products and indoor coverage system by Eternal Asia Supply Chain to IBO Information. The parties entered into a strategic cooperation agreement after friendly consultation.

During the term of the agreement, IBO Information engaged Eternal Asia Supply Chain to provide the supply chain services for "5G small (pico) base station related products and indoor coverage system", including customs declaration, customs clearance, local logistics distribution, outward remittances and other services, as well as logistics and distribution and external settlement of upstream core components in the PRC.

## EVENTS AFTER THE REPORTING PERIOD (Continued)

### Entering into Strategic Cooperation Agreement with Eternal Asia Supply Chain (Continued)

The parties jointly determine the qualified suppliers of upstream core components for 5G small (pico) base station related products and indoor coverage system.

In view of the strong market demand for 5G small (pico) base station related products and indoor coverage system, it is expected that the scale of the supply chain services provided by Eternal Asia Supply Chain to IBO Information will exceed RMB1 billion per year.

The cooperation term is 3 years from 1 July 2020 to 30 June 2023; before the expiration of the cooperation term, the parties shall discuss the matter of renewal of the agreement.

Further details are set out in the announcement of the Company dated 24 June 2020.

## FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years are set out on page 208 of this report.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Dr. He Tianxiang, Dr. Wong Kwok Yan and Mr. Hung Muk Ming. The Company's audited consolidated financial statements and annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee, the members of which have met the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, for the review of the Group's results for the year ended 31 March 2020.

The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 March 2020 and the accounting principles and practices adopted by the Group, and has discussed auditing, risk management, internal controls and financial reporting matters for the year ended 31 March 2020 with the management. They have also reviewed and approved the engagement of external auditors for providing non-audit services, the remuneration in respect of audit and non-audit services provided by external auditors, risk management and internal control systems and the effectiveness of the internal audit function.

## AUDITOR

The consolidated financial statements for the years ended 31 March 2018, 2019 and 2020 were audited by Messrs. Deloitte Touche Tohmatsu who will retire and be willing to be reappointed as the Company's auditor. At the coming annual general meeting to be convened by the Company a resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as the Company's auditor will be proposed.

On behalf of the Board

**Lai Tse Ming**
*Chairman and Executive Director*

Hong Kong, 29 June 2020

## 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 Year. 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 for the Year.

## BOARD OF DIRECTORS

### Board Composition

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

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

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

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

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

## BOARD OF DIRECTORS (Continued)

### Chairman and Chief Executive Officer

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

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

Code provision A.2.7 of the Corporate Governance Code requires that the chairman should at least annually holds meetings with the independent non-executive Directors without the presence of other Directors present. During the Year, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors.

### Independent Non-executive Directors

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

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

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

### Appointment and Re-election of Directors

All Directors are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

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

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

## BOARD OF DIRECTORS (Continued)

### Responsibilities of the Directors

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

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

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

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

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

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

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

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

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

## BOARD OF DIRECTORS (Continued)

### Continuous Professional Development of Directors

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

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

| | Training Areas | |
|---|---|---|
| **Name of Directors** | **Corporate governance/ updates on laws, rules & regulations** | **Accounting/ financial/ management or other professional skills** |
| **Executive Directors** | | |
| Mr. Lai Tse Ming *(Chairman)* | ✓ | ✓ |
| Mr. Gao Weilong *(Chief Executive Officer)* | ✓ | ✓ |
| Ms. Cheng Yan *(Vice Chairperson) (Note)* | ✓ | ✓ |
| 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 | ✓ | ✓ |

*Note:* She was appointed since 7 August 2019 and resigned on 25 May 2020

### Board Meetings

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

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

## BOARD OF DIRECTORS (Continued)

### Board Meetings (Continued)

During the Year, the Board held nine meetings and the principal businesses transacted include:

- Approving the financial results and reports for the year ended 31 March 2019;
- Reviewing the financial control, risk management and internal control policies of the Company;
- Assessing business performance and planning future business directions;
- Approving the interim report for the six months ended 30 September 2019;
- Reviewing and determining the annual remuneration packages for the Company's Directors;
- Approving the acquisition of 15% of the issued share capital of Good Cheer;
- Approving the placing of convertible bonds;
- Authorising the allotment and issue of convertible shares;
- Appointing Ms. Cheng as an executive Director and vice chairperson of the Company and determining her annual remuneration package;
- Approving the grant of share options to Ms. Cheng;
- Approving the allotment and issue of consideration shares to Wisdom Galore; and
- Providing gurantees for bank loans made by subsidiaries.

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

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

## BOARD COMMITTEES

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

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

## BOARD COMMITTEES (Continued)

### Audit Committee

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

The duties of the Audit Committee shall be:

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

(b) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review the important advice on financial reporting contained therein;

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

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

During the Year, two Audit Committee meetings were held and all the members of the Audit Committee were present at the meeting. The Audit Committee also met the external auditors twice during the Year without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The major works performed are as follows:

- Reviewing and recommending the Board to approve the interim report for the six months ended 30 September 2019;
- Reviewing and recommending the Board to approve the financial results and reports for the year ended 31 March 2019;
- Making recommendations to the Board on the re-appointment of external auditor for the year ended 31 March 2020;
- Reviewing certain aspects of the internal control systems of the Group;
- Recommending the Board to approve the adoption of risk management policy; and
- Assisting the Board in meeting its responsibilities for evaluating, establishing and maintaining effective risk management and internal control systems of the Group.

The Group's annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee.

## BOARD COMMITTEES (Continued)

### Remuneration Committee

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

The duties of the Remuneration Committee shall be:

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

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

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

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

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

During the Year, three Remuneration Committee meetings were held and all the members of the Remuneration Committee were present at the meeting and the major works performed are as follows:

- Reviewing and making recommendations to the Board on the remuneration of independent non-executive Directors with reference to the time and efforts involved in discharging their duties and the prevailing market conditions;
- Reviewing and making recommendations to the Board on the annual remuneration packages for executive Directors;
- Making recommendations to the Board on the annual remuneration package for the appointment of Ms. Cheng as an executive Director and vice chairperson of the Company ; and
- Recommending the Board to approve the grant of share options to Ms. Cheng.

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

| | Number of Individuals |
|---|---|
| Nil–HK$1,000,000 | 10 |
| HK$1,000,001–HK$1,500,000 | 2 |
| HK$1,500,001–HK$5,000,000 | 3 |
| HK$5,000,001–HK$10,000,000 | 1 |
| HK$10,000,001–HK$15,000,000 | 1 |

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13 respectively to the consolidated financial statements.

## BOARD COMMITTEES (Continued)

### Nomination Committee

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

The duties of the Nomination Committee shall be:

(a) to determine and review the policy for the nomination of Directors in compliance with the requirements of the Listing Rules, the nomination procedure, process and criteria to select and recommend candidates of the directorship of the Board;

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

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

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

(e) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company.

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

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

During the Year, two Nomination Committee meetings were held and all the members of the Nomination Committee were present at the meeting and the major works performed are as follows:

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

## POLICY FOR THE NOMINATION OF DIRECTORS

### 1. Nomination Criteria

When assessing and selecting a candidate for Director, the Nomination Committee shall consider the following criteria:

- the candidate's character and integrity.
- the candidate's qualifications including professional qualifications, skills, knowledge and experience in relation to the Company's business and strategies.
- whether the candidate is willing to devote sufficient time to fulfill the duties of being a member of the Board and to serve the other roles of directorship and responsibilities of major commitments.
- compliance with the provision of the Listing Rules in respect of the requirement that the Board shall comprise independent non-executive Directors, and whether such candidates are considered independent with reference to the independence guidelines set out in the Listing Rules.
- the policy for diversity of Board members and any measurable objectives adopted by the Board to achieve diversity of Board members.
- various other factors applicable to the Company's business.

### 2. Procedure for Nomination

#### 2.1 Appointment of New Directors

2.1.1 Upon the receipt of the proposal for new Director appointment and the candidate's personal information (or related details), the Nomination Committee shall evaluate the candidate according to the selection criteria as set out in the first part when determining if the candidate is qualified for the role of Director.

2.1.2 If the process involves one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and the reference check of each candidate (where applicable).

2.1.3 The Nomination Committee shall then recommend the appointment of an appropriate candidate for directorship.

2.1.4 For any person nominated by a Shareholder for election as a Director at the general meeting of the Company (please refer to the section "Procedures for Shareholders to Propose a Person for Election as a Director" below for the relevant procedure), the Nomination Committee shall evaluate the candidate according to the selection criteria set out in the first part in determining if the candidate is qualified for the role of Director. Where appropriate, the Nomination Committee and/or the Board shall make recommendations to the Shareholders in respect of the proposed appointment of Director at the general meeting.

#### 2.2 Re-election of Directors at General Meetings

2.2.1 The Nomination Committee shall review the overall contribution and service to the Company of a retiring Director, including his/her attendance rate at the Board meetings and general meetings (if applicable), as well as the level of participation and performance on the Board.

2.2.2 The Nomination Committee shall also review and determine whether a retiring Director continues to meet the selection criteria as set out in the first part.

2.2.3 The Nomination Committee and/or the Board shall make recommendations to the Shareholders in respect of re-election of Directors at the general meetings.

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice (the "**Notice(s)**") signed by a member of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a Notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the head office or at the registration office of the Company (the "**Registration office**") provided that the minimum length of the period, during which such Notice(s) are given, shall be at least 7 days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Accordingly, if a member wishes to propose a person (other than the member himself/herself) for election as a Director at a general meeting, the member should deposit the following documents at the principal place of business in Hong Kong* or at the Registration Office* for the attention of the Company Secretary:

(i) a Notice of his/her intention to propose a resolution at the general meeting, duly signed by the member with his/her name and address stated clearly in an eligible manner, validity of which is subject to verification and confirmation by the Company's branch share registrar in Hong Kong according to its records; and

(ii) a Notice executed by the nominated candidate of the candidate's willingness to be appointed together with (A) such information of that candidate as would be required to be disclosed under Rule 13.51(2) of the Listing Rules, (B) the candidate's written consent to the publication of his/her personal data, and (C) contact address and contact telephone number etc. of the candidate.

If the Notice is received less than 15 business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the members at least 14 clear days and not less than 10 business days prior to the general meeting.

* Principal place of business in Hong Kong: 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong

* Registration Office address: Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens Road East, Wan Chai, Hong Kong

## BOARD DIVERSITY POLICY

The board diversity policy of the Company aims to set out the approach to achieve diversity on the Board. The Company recognises and seizes the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for monitoring the achievement of the measureable objectives sets out in this policy.

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each of the Directors at the Board meetings, meetings of the committees and other meetings during the Year is set out as follows:

| | Attended/Eligible to attend | | | | | |
|---|---|---|---|---|---|---|
| Name of Directors | Board Meeting | Audit Committee meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Annual General Meeting | Extraordinary General Meeting |
| **Number of meetings held** | 9 | 2 | 3 | 2 | 1 | 2 |
| **Executive Directors** | | | | | | |
| Mr. Lai Tse Ming *(Chairman)* | 9/9 | – | – | 2/2 | 1/1 | 2/2 |
| Mr. Gao Weilong *(Chief Executive Officer)* | 9/9 | – | 3/3 | – | 1/1 | 2/2 |
| Ms. Cheng Yan *(Vice Chairperson) (Note)* | 4/4 | – | – | – | 0/1 | 1/1 |
| Mr. Teng Feng | 9/9 | – | – | – | 1/1 | 2/2 |
| Mr. Yu Kin Keung | 9/9 | – | – | – | 1/1 | 2/2 |
| Mr. Lyu Huiheng | 9/9 | – | – | – | 1/1 | 2/2 |
| **Independent Non-executive Directors** | | | | | | |
| Dr. He Tianxiang | 9/9 | 2/2 | 3/3 | – | 1/1 | 2/2 |
| Dr. Wong Kwok Yan | 9/9 | 2/2 | 3/3 | 2/2 | 1/1 | 2/2 |
| Mr. Hung Muk Ming | 9/9 | 2/2 | – | 2/2 | 1/1 | 2/2 |

*Note*: She was appointed since 7 August 2019 and resigned on 25 May 2020

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Group has established a risk management framework, which consists of the Board, the Audit Committee, the senior managements, functional departments and business units managements as well as risk management personnel. The Board is responsible for evaluating and determining the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, to ensure that the Group establishes and maintains an appropriate and effective risk management and internal control systems. The Board also has the overall responsibility for monitoring the senior managements towards the design, implementation and monitoring of risk management and internal control systems.

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

In addition, the Group has engaged an independent professional advisor to provide internal audit services to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken and responsible personnel is identified. The independent professional advisor will follow up in due course to ensure the situation can be improved.

## RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Risk management report and internal audit report are submitted to the Audit Committee for review and ultimately to the Board for approval at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems for the Year, including the changes of nature and extend of significant risk after the review of previous year, the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's ongoing monitoring on risk and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications for the period; financial report of the Group and status of compliance with the Listing Rules. The Board confirms the existing risk management and internal control systems and the internal audit function performed by independent professional advisor are effective and adequate.

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

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

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

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

## AUDITOR'S REMUNERATION

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

| Services Category | Fees paid/payable RMB |
|---|---|
| Audit services | |
| — audit services on financial statements for the year ended 31 March 2020 | 2,758,220 |
| — preliminary review of annual results announcement for the year ended 31 March 2020 | 45,685 |
| — audit services on continuing connected transactions for the year ended 31 March 2020 | 9,137 |
| Non-audit services | |
| — risk management consulting, internal control review and Environmental, Social and Governance report consulting services for the year ended 31 March 2020 | 173,603 |
| | 2,986,645 |

## COMPANY SECRETARY

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

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

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

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

## SHAREHOLDERS' RIGHTS

### Convening an Annual General Meeting, Extraordinary General Meeting and Putting Forward Proposals at General Meetings

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

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

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

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

### Dividend Policy

The Company's dividend policy is intended to set out the guidelines announced/proposed by the Board to declare and pay dividends to the Shareholders. The Company understands and believes that the disclosure of this policy will enhance the transparency of the Company so that the Shareholders and the investors can form informed investment decisions.

The Company can declare and pay dividends to the Shareholders, provided that the Group records a profit after tax and the declaration of dividends will not affect the normal operation of the Group. In deciding whether to propose dividends and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(i) the Group's financial performance;

(ii) the Group's financial position;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) the availability of funds to meet the financial covenants of our Group's bank loans; and

(v) any other factors that our Board may consider appropriate.

## SHAREHOLDERS' RIGHTS (Continued)

### Dividend Policy (Continued)

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group. Any declaration and/or payment of future dividends under the policy are/is subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management and the Board will review the policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

### Putting Forward Enquiries to the Board

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

## CONSTITUTIONAL DOCUMENTS

During the Year, the Company has not made any changes to its constitutional documents. An up-to-date version of the memorandum of the Company and Articles of Association is available on the websites of the Stock Exchange (**www. hkexnews.hk**) and of the Company **(www.ibotech.hk)**.

## COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Company is disseminated to the Shareholders in a timely manner through a number of formal channels, which include the interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the website of the Company (**www.ibotech.hk**).

The annual general meeting provide a useful platform for the Shareholders to exchange views with the Board. The chairman of the Company and the chairman of each committee of the Board are available at the annual general meeting to answer questions from the Shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also available at the annual general meeting to assist the Directors in addressing any relevant queries from the Shareholders. To ensure the Board is maintaining an ongoing dialogue with the Shareholders, the Shareholders are encouraged to attend the annual general meeting or other general meetings of the Company. The annual general meeting notice is sent to the Shareholders at least 20 clear business days before the annual general meeting. The notice is also published on the websites of the Stock Exchange (**www.hkexnews.hk**) and of the Company (**www.ibotech.hk**).

To ensure effective communication with the Shareholders, the Company highly values any opinion from the Shareholders. Comments and suggestions are welcome and can be addressed to the Company by mail to the Company's Hong Kong office at 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong (marked for the attention of the Company Secretary), or by email at **dennis.pang@ibotech.com.cn**. For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Deloitte. 德勤

**TO THE SHAREHOLDERS OF IBO TECHNOLOGY COMPANY LIMITED**
**艾伯科技股份有限公司**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of IBO Technology Company Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 112 to 207, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessments of goodwill and intangible assets with indefinite useful life** | |
| We identified the impairment assessments of goodwill and intangible assets with indefinite useful life as a key audit matter due to significant judgements and estimates involved in the assessment process by the management of the Group.<br><br>As disclosed in notes 19 and 20 to the consolidated financial statements, the Group had a goodwill and intangible assets with indefinite useful life of RMB23,632,000 (net of accumulated impairment loss of RMB20,525,000) and RMB21,300,000 respectively as at 31 March 2020 relating to the acquisition of system integration business and software development business in 2019.<br><br>For the purpose of assessing impairment of goodwill and intangible assets with indefinite useful life at 31 March 2020, recoverable amounts of cash-generating units to which the goodwill and intangible assets have been allocated have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to the management's expectations for the market development, where the key assumptions and estimates included the growth rates and discount rate used in the value in use calculation. The Group engages an independent qualified valuer ("**the Valuer**") to assist the estimation. The financial team of the Group works closely with the Valuer to establish the appropriate estimation model and inputs to the model.<br><br>Based on the management's assessment, RMB20,525,000 impairment loss in relation to goodwill of system integration business has been recognised for the year ended 31 March 2020 and no impairment loss of intangible assets is noted. | Our procedures in relation to the impairment assessments of goodwill and intangible assets with indefinite useful life included:<br><br>• Discussing with the Group's management to understand the key estimations made by the Group's management in the impairment assessment of goodwill and indefinite intangible assets;<br><br>• Evaluating the competency, capabilities and objectivity of the Valuer;<br><br>• Involving our internal valuation expert to reviewing the valuation report provided by the Valuer on the discount rate adopted and evaluating its reasonableness;<br><br>• Assessing the appropriateness of the key assumptions adopted in the discounted cash flows for impairment assessments, by challenging management's expectation for the market development;<br><br>• Testing source data on a sample basis to supporting evidence, such as approved budgets and available market data; and<br><br>• Reviewing the sensitivity analyses performed by the management to evaluate the potential impacts on the recoverable amount and impairment. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of trade receivables** | |
| We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECL**") of the Group's trade receivables at the end of the reporting period.<br><br>As at 31 March 2020, the Group's net trade receivables amounting to, RMB329,068,000, which represented approximately 52% of the total assets of the Group.<br><br>As disclosed in notes 4 and 39 to the consolidated financial statements, trade receivables are assessed individually for impairment allowance based on the historical observed default rates of the debtors taking into consideration of current and forward-looking information that is reasonable, supportable and available without undue costs or effort.<br><br>Credit loss allowance amounting to RMB9,147,000 was recognised at 31 March 2020. Details of the ECL are set out in note 39 to the consolidated financial statements. | Our procedures in relation to impairment assessment of trade receivables included:<br><br>• Understanding how the management estimates the ECL allowance for trade receivables by applying the ECL model;<br><br>• Testing the integrity of information used by management to develop the individual assessment, including trade receivables aging analysis as at 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales contracts, sales invoices and other supporting documents; and<br><br>• Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 March 2020, including the reasonableness of management's assessment on the internal credit rating of the trade debtors and the basis of estimated loss rate applied to each debtor. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of derivative component of convertible bonds** | |
| We identified valuation of derivative component of convertible bonds as a key audit matter due to significant judgements and estimates involved in the assessment process by the management of the Group.<br><br>On 3 April 2019 and 10 July 2019, the Group issued two convertible bonds at RMB19,215,000 and at RMB27,397,000, respectively. The difference between the fair values of the convertible bonds at initial recognition and their respective transaction prices ("**Day-1 Loss**") amounted to RMB17,695,000 as disclosed in note 34. As at 31 March 2020, the fair value of the derivative component of the convertible bonds amounted to RMB22,853,000, and the deferred Day-1 Loss recognised against the carrying amount of the convertible bonds amounted to RMB12,191,000.<br><br>As disclosed in notes 4 and 34 to the consolidated financial statements, the derivative component of the convertible bonds were initially and subsequently measured at fair values. The fair values were determined based on unobservable inputs using valuation technique. The Group engaged the Valuer to assist with the estimation using the Binomial Option Pricing model. The key inputs used in the Binomial Option Pricing model include underlying share price, conversion price, coupon rate, expected volatility, expected dividend yield, time to maturity, discount rate and risk-free rate and the valuation is sensitive to the expected volatility of share price. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs.<br><br>Based on management's assessment, a fair value loss on the derivative component of the convertible bonds of RMB4,637,000 and a recognition of the deferred Day-1 Loss of RMB6,289,000 have been recognised in profit or loss for the year ended 31 March 2020. | Our procedures in relation to valuation of convertible bonds included:<br><br>• Understanding how the management of the Group determines the pricing of the convertible bonds and the reason for incurring Day-1 Loss;<br><br>• Assessing the competency, capabilities and objectivity of the Valuer;<br><br>• Obtaining an understanding from the management and the Valuer about the valuation methodology and key inputs adopted in the valuations of these convertible bonds at the date of initial recognition and at subsequent measurement at year end;<br><br>• Involving our internal valuation expert to assess the appropriateness and reasonableness of the valuation methodology and key inputs used in the initial measurement upon issue of these convertible bonds and subsequent measurement as at year-end; and<br><br>• Assessing the adequacy of the disclosures in the consolidated financial statements in relation to the convertible bonds as well as the related Day-1 Loss. |

## OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 June 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **487,756** | 298,916 |
| Cost of sales and services rendered | | **(374,453)** | (197,613) |
| Gross profit | | **113,303** | 101,303 |
| Other income | 6 | **4,514** | 5,675 |
| Other gains and losses | 7 | **(56,214)** | 3,677 |
| Share of loss of an associate | 22 | **(226)** | – |
| Impairment losses under expected credit loss model, net of reversal | 8 | **(7,814)** | 172 |
| Distribution and selling expenses | | **(5,543)** | (3,123) |
| Administrative expenses | | **(71,879)** | (52,577) |
| Finance costs | 9 | **(10,353)** | (2,802) |
| Research and development expenses | | **(3,856)** | (5,321) |
| (Loss) profit before taxation | | **(38,068)** | 47,004 |
| Income tax expense | 10 | **(12,072)** | (12,064) |
| (Loss) profit and total comprehensive (expense) income for the year | 11 | **(50,140)** | 34,940 |
| (Loss) profit and total comprehensive (expense) income for the year attributable to | | | |
| — Owners of the Company | | **(52,955)** | 33,951 |
| — Non-controlling interests | | **2,815** | 989 |
| | | **(50,140)** | 34,940 |
| (Loss) earnings per share | | | |
| — Basic (RMB cents) | 15 | **(12.87)** | 8.49 |
| — Diluted (RMB cents) | | **(12.87)** | 8.47 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **8,684** | 8,312 |
| Right-of-use assets | 17 | **8,696** | – |
| Investment properties | 18 | **20,100** | 20,500 |
| Goodwill | 19 | **23,632** | 44,157 |
| Intangible assets | 20 | **60,078** | 67,162 |
| Interest in an associate | 22 | **7,780** | – |
| Financial assets at fair value through profit or loss | 23 | **–** | 460 |
| Rental deposits | | **1,101** | 578 |
| Deferred tax assets | 32 | **2,034** | – |
| | | **132,105** | 141,169 |
| **Current assets** | | | |
| Inventories | 24 | **675** | 51,897 |
| Trade and other receivables | 25 | **410,628** | 240,984 |
| Contract assets | 26 | **11,740** | 12,215 |
| Amount due from a related company | 27 | **243** | 38 |
| Amounts due from non-controlling interests | 27 | **1,704** | 197 |
| Financial assets at fair value through profit or loss | 23 | **1,392** | 7,793 |
| Pledged bank deposits | 28 | **2,191** | – |
| Bank balances and cash | 28 | **69,178** | 61,684 |
| | | **497,751** | 374,808 |
| **Current liabilities** | | | |
| Trade and other payables | 29 | **100,362** | 73,840 |
| Lease liabilities | 30 | **5,222** | – |
| Amounts due to non-controlling interests | 27 | **9,869** | 13,681 |
| Tax payables | | **26,531** | 17,313 |
| Bank borrowings | 31 | **19,844** | 25,109 |
| Consideration payable | 36 | **16,399** | 17,810 |
| Bonds payables | 33 | **35,538** | – |
| | | **213,765** | 147,753 |
| **Net current assets** | | **283,986** | 227,055 |
| **Total assets less current liabilities** | | **416,091** | 368,224 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Consideration payable | 36 | **16,399** | 26,714 |
| Bank borrowings | 31 | **1,210** | 523 |
| Bonds payables | 33 | **31,101** | 26,727 |
| Convertible bonds | 34 | **58,245** | – |
| Lease liabilities | 30 | **3,685** | – |
| Deferred tax liabilities | 32 | **22,731** | 22,559 |
| | | **133,371** | 76,523 |
| | | **282,720** | 291,701 |
| **Capital and reserves** | | | |
| Share capital | 35 | **3,467** | 3,349 |
| Reserves | | **246,236** | 258,150 |
| Equity attributable to owners of the Company | | **249,703** | 261,499 |
| Non-controlling interests | | **33,017** | 30,202 |
| **Total Equity** | | **282,720** | 291,701 |

The consolidated financial statements on pages 112 to 207 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

**Mr. Lai Tse Ming**
*DIRECTOR*

**Mr. Yu Kin Keung**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

| | 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 | **Sub-total** RMB'000 | **Non-controlling interests** RMB'000 | **Total** RMB'000 |
| At 1 April 2018 | 3,349 | 158,165 | (43,325) | – | 14,383 | 80,308 | 212,880 | – | 212,880 |
| Profit and total comprehensive income for the year | – | – | – | – | – | 33,951 | 33,951 | 989 | 34,940 |
| Transfer | – | – | – | – | 5,615 | (5,615) | – | – | – |
| Acquisition of non-wholly owned subsidiaries *(note 36)* | – | – | – | – | – | – | – | 29,213 | 29,213 |
| Recognition of equity-settled share based payments | – | – | – | 14,668 | – | – | 14,668 | – | 14,668 |
| At 31 March 2019 | 3,349 | 158,165 | (43,325) | 14,668 | 19,998 | 108,644 | 261,499 | 30,202 | 291,701 |
| (Loss) profit and total comprehensive (expense) income for the year | **–** | **–** | **–** | **–** | **–** | **(52,955)** | **(52,955)** | **2,815** | **(50,140)** |
| Issuance of shares related to previous acquisition *(note 36)* | **99** | **15,621** | **–** | **–** | **–** | **–** | **15,720** | **–** | **15,720** |
| Issuance of shares by the conversion of convertible bonds *(note 34)* | **19** | **4,538** | **–** | **–** | **–** | **–** | **4,557** | **–** | **4,557** |
| Recognition of equity-settled share based payments | **–** | **–** | **–** | **20,882** | **–** | **–** | **20,882** | **–** | **20,882** |
| Transfer | **–** | **–** | **–** | **–** | **8,214** | **(8,214)** | **–** | **–** | **–** |
| At 31 March 2020 | **3,467** | **178,324** | **(43,325)** | **35,550** | **28,212** | **47,475** | **249,703** | **33,017** | **282,720** |

*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 IBO Technology Company Limited (the "**Company**") to IBO Holdings Limited ("**IBO Holdings**") pursuant to the reorganisation as set out on the prospectus dated 14 December 2017 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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| (Loss) profit before taxation | **(38,068)** | 47,004 |
| Adjustments for: | | |
| Share of loss of an associate | **226** | – |
| Share-based payment expenses | **20,882** | 14,668 |
| Finance costs | **10,353** | 2,802 |
| Interest income | **(82)** | (79) |
| Depreciation of property, plant and equipment | **2,685** | 1,714 |
| Impairment loss recognised on goodwill | **20,525** | – |
| Impairment loss recognised on interest in an associate | **14,464** | – |
| Impairment losses under expected credit loss model, net of reversal | **7,814** | (172) |
| Amortisation of intangible assets | **13,879** | 6,524 |
| Depreciation of right-of-use assets | **2,988** | – |
| Loss (gain) on change in fair value of investment properties | **400** | (1,140) |
| Loss (gain) on change in fair value of financial assets at FVTPL | **527** | (484) |
| Loss on change in fair value of consideration payables | **3,994** | 4,149 |
| Loss on change in fair value of convertible bonds | **4,637** | – |
| Loss on disposal of a subsidiary | **–** | 237 |
| Loss on disposal of property, plant and equipment | **–** | 3 |
| Recognition of deferred loss from initial recognition of convertible bonds | **6,289** | – |
| Transaction costs related to issuance of convertible bonds | | |
| — derivative component | **313** | – |
| Unrealised exchange loss (gain) | **6,073** | (550) |
| Operating cash flows before movements in working capital | **77,899** | 74,676 |
| Decrease (increase) in inventories | **51,222** | (50,652) |
| Increase in trade and other receivables | **(177,448)** | (50,865) |
| Decrease (increase) in contract assets | **467** | (4,305) |
| Decrease (increase) in financial assets at FVTPL | **5,877** | (7,326) |
| Increase in trade and other payables | **25,643** | 12,104 |
| Decrease in contract liabilities | **–** | (314) |
| Cash used in operations | **(16,340)** | (26,682) |
| Income tax paid | **(4,716)** | (5,944) |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(21,056)** | (32,626) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiaries | *36* | **–** | (26,781) |
| Acquisition of an associate | | **(22,470)** | – |
| Purchase of property, plant and equipment | | **(3,057)** | (5,279) |
| Purchase of intangible assets | | **(6,795)** | (818) |
| Payments for rental deposits | | **(717)** | – |
| Purchases of convertible bonds | | **–** | (443) |
| Proceeds from disposal of convertible bonds | | **457** | – |
| Advance to a related company | | **(243)** | (265) |
| Advances to non-controlling interests | | **(2,154)** | (32) |
| Repayment from non-controlling interest | | **647** | – |
| Repayment from a related company | | **38** | 227 |
| Proceeds from disposal of property, plant and equipment | | **–** | 1 |
| Interest received | | **82** | 79 |
| Placement of pledged bank deposit | | **(2,191)** | – |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(36,403)** | (33,311) |
| **FINANCING ACTIVITIES** | | | |
| Repayments of bank borrowings | | **(34,468)** | (12,868) |
| Repayment of lease liabilities | | **(2,788)** | – |
| Interest paid | | **(4,374)** | (1,598) |
| Issue costs paid | | **–** | (77) |
| Payments of commissions for issuance of bonds | | **(4,081)** | (3,442) |
| Proceeds from issue of convertible bonds payable | | **46,612** | – |
| Payment of transaction costs for issue of convertible bonds | | **(1,165)** | – |
| Proceeds from bank borrowings | | **29,890** | 32,000 |
| Advances from non-controlling interests | | **579** | 656 |
| Repayments to non-controlling interests | | **(4,391)** | – |
| Proceeds from issuance of bonds | | **39,139** | 30,231 |
| **NET CASH FROM FINANCING ACTIVITIES** | | **64,953** | 44,902 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **7,494** | (21,035) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **61,684** | 82,719 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** represented by bank balances and cash | | **69,178** | 61,684 |

## 1. GENERAL AND BASIS OF PRESENTATION

The Company (together with its subsidiaries, collectively referred to as the "**Group**") was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 23/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong respectively. Its immediate and ultimate holding company is Shine Well. The ultimate controlling shareholder of the Group is Mr. Lai Tse Ming ("**Mr. Lai**"), who is also an executive director of the Company.

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

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### 2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

*Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied by relevant group entities ranged from 6.00% to 9.00%.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

**2.1 HKFRS 16 "Leases"** (Continued)

*As a lessee (Continued)*

| | At 1 April 2019 HK$'000 |
|---|---:|
| Operating lease commitments disclosed as at 31 March 2019 | 7,852 |
| Lease liabilities discounted at relevant incremental borrowing rates | 7,419 |
| Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application | (2,623) |
| Recognition exemption — short-term lease | (330) |
| Lease liabilities as at 1 April 2019 | 4,466 |
| Analysed as | |
| Current | 1,967 |
| Non-current | 2,499 |
| | 4,466 |

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

| | **Right-of-use assets** HK$'000 |
|---|---:|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 4,466 |
| Adjustments on rental deposits at 1 April 2019 *(Note)* | 85 |
| | 4,551 |
| By class: | |
| Leased properties | 4,551 |

*Note:* Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under rental deposits and trade and other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB85,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

**2.1 HKFRS 16 "Leases"** (Continued)

*As a lessor*

The application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 March 2020 and its consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31March 2019 RMB'000 | Adjustments RMB'000 | Carrying amounts under HKFRS 16 at 1 April 2019 RMB'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Right-of-use assets | – | 4,551 | 4,551 |
| Rental deposits | 578 | (80) | 498 |
| **Current Asset** | | | |
| Trade and other receivables | 240,984 | (5) | 240,979 |
| **Current Liability** | | | |
| Lease liabilities | – | 1,967 | 1,967 |
| **Non-current Liability** | | | |
| Lease liabilities | – | 2,499 | 2,499 |

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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

### New and amendments to HKFRSs in issue but not yet effective

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions[6] |
| Amendments to HKFRS 3 | Definition of a Business[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[5] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[4] |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use[5] |
| Amendments to HKFRS 37 | Onerous Contracts — Cost of Fulfilling a Contract[5] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 Cycle[5] |

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2022.

6 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

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

### Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("**CGUs**") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than operating segment.

A cash-generating unit (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the group of CGUs may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### Revenue from contracts with customers

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 or 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

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

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

**Contracts with multiple performance obligations (including allocation of transaction price)**
For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (system maintenance service contracts in which the Group bills a fixed amount for each month of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

*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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

**Revenue recognition on performance obligations for contracts with customers**
The Group recognises revenue from the following major sources:

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 is satisfied over time as the Company provides services on customers' sites which creates an asset that the customers control as the Group perform. The directors of the Company currently measure the stage of completion using output method by reference to the completion status certificates issued by customers.

System maintenance service income is recognised using output method on a straight-line basis over the terms of the relevant contract, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs and the performance obligation is satisfied with time elapsed.

Contracts of software development provide customised software with no alternative use to the Group. Taking into account the contract terms and 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. 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.

### Leases

**Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)**
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)**
*Short-term leases*
The Group applies the short-term lease recognition exemption to leases of staff dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)** (Continued)
*Right-of-use assets*
The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Except for these that are classified as investment properties, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

*Refundable rental deposits*
Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*
At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modifications*
The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)** (Continued)

*Lease modifications (Continued)*

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**The Group as a lessee (prior to 1 April 2019)**

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

**The Group as lessor**

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

**The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)**

*Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

*Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### Foreign currencies

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

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

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

### Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

### Retirement benefits costs

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

### Short-term employee benefits

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

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

### Share-based payments

**Equity-settled share-based payment transactions**

*Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments granted 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 each 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

**Equity-settled share-based payment transactions** (Continued)

*Share options granted to employees (Continued)*

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).

### Taxation

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Property, plant and equipment

Property, plant and equipment, including buildings in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

### Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties (Continued)

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

### Intangible assets

**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

**Internally-generated intangible assets — research and development expenditure**

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

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

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

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

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

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets acquired in a business combination (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, 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. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of CGUs.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairments loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

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

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchase or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Classification and subsequent measurement of financial assets (Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

*Impairment of financial assets and contract assets*

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from a related company and non-controlling interests, refundable rental deposits, pledged bank deposits and bank balances and cash) and other items (representing contract assets) which are subject to impairment under HKFRS 9. 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. Assessment 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.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets and contract assets (Continued)*

(i) 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; or

- 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets and contract assets (Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Derecognition of financial assets*

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

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

**Financial liabilities and equity**

*Classification as debt or equity*

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

*Equity instruments*

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

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at FVTPL*

Financial liabilities classified as at FVTPL represent the consideration payable and the derivative portion of convertible bonds that may be paid by the Group as part of a business combination to which HKFRS 3 applies.

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, bonds payables, liability component of convertible bonds, amounts due to non-controlling interests and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

**Convertible bonds**

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. When the fair value of the convertible bonds at initial recognition differs from the transaction price, the resulting gain or loss on initial recognition (i.e. Day-1 gain or loss) is recognised immediately in profit or loss if the fair value of the convertible bonds is evidenced by Level 1 inputs or is determined based on a valuation technique that uses only data from observable markets. In all other circumstances, in particular, with regard to the Day-1 loss recognised on the convertible bonds issued by the Group, the Day-1 loss is deferred and the amount is recognised in profit or loss to reflect the reduction in the time value of the conversion option based on how market participants would consider it when pricing the convertible bonds.

The deferred Day-1 gain or loss is recognised as an adjustment to the initial carrying amount of the convertible bonds.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Convertible bonds** (Continued)

*Convertible bonds contain debt and derivative components (Continued)*

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

*Derecognition of financial liabilities*

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

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

**Deferred taxation on investment properties**

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

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

### Key sources of estimation uncertainty

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

**Impairment assessments of goodwill and intangible assets with indefinite useful life**

Determining whether goodwill and intangible assets with indefinite useful life are impaired requires an estimation of the recoverable amounts of the CGUs to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a further impairment loss may arise.

As at 31 March 2020, the carrying amounts of goodwill and intangible assets with indefinite useful life were RMB23,632,000 (2019: RMB44,157,000) and RMB21,300,000 (2019: RMB21,300,000) respectively. During the year ended 31 March 2020, impairment loss on goodwill of RMB20,525,000 (2019:nil) was recognised. Details of the recoverable amount calculation are set out in note 21.

**Provision of ECL for trade receivables**

The management of the Group calculates ECL on trade receivables individually. The loss rates applied are estimated using the historical observed default rates of the debtors taking into consideration of forward-looking information that is reasonable, supportable and available without undue costs or effort. At the end of the reporting period, these historical loss rates are reassessed and updated after considering current and forward-looking information that is available to the directors of the Company. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 39 and 25. The Group's trade receivables amounted to RMB329,068,000 (2019: RMB154,622,000).

**Fair value measurement of derivative component of convertible bonds**

The convertible bonds issued by the Company are not traded in an active market. The derivative components of the convertible bonds are initially and subsequently measured at fair values. As at 31 March 2020, the difference between the fair values at initial recognition and the transaction prices of the convertible bonds ("**Day 1 Loss**") deferred on the consolidated statement of financial position as part of the carrying amount of the convertible bonds amounted to RMB17,695,000 and the derivative component of convertible bonds amounted to RMB22,853,000 (2019: N/A). The fair values were determined based on unobservable inputs using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in key inputs could affect the reported values of convertible bonds. Further disclosures of the convertible bonds are set out in note 34 and the key inputs adopted are set out in note 39.

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

### Key sources of estimation uncertainty (Continued)

**Impairment assessment of an associate**

As at 31 March 2020, in view of the continuous impact caused by the outbreak of a novel coronavirus ("**COVID-19**") in the PRC and in the rest of the world, the education institutions in PRC suspended the business operation to cater for the local government's regulations, which caused the suspension of business expansion and significant drop in budgeted revenue of the associate. In light of this indicator of impairment, the Group performed impairment assessment on the associate. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the associate to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment, which in turn depends on the cash flows from the underlying education business of the associate. This requires the management of the Group to make certain assumptions, including a discount rate which reflects the risk of the associate and the underlying business's sales growth rates. In cases where the actual cash flows are less or more than expected resulting in a revision of the future cash flows estimation, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 March 2020, the carrying amount of the associate amounted to RMB7,780,000 (2019: N/A) after taking into account the impairment of RMB14,464,000 recognised in profit or loss during the year.

## 5. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue from contracts with customers

**Types of goods or services**

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Intelligent terminal products sales | **405,130** | 252,937 |
| Provision of coordination, management and installation services of smart cities | **9,986** | 4,388 |
| Software development | **63,297** | 31,355 |
| System maintenance services | **9,343** | 10,236 |
| Total revenue from contracts with customers | **487,756** | 298,916 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (i) Disaggregation of revenue from contracts with customers (Continued)

**Timing of revenue recognition**

**2020**

| | Intelligent terminal products sales RMB'000 | Provision of coordination, management and installation services of smart cities RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| A point in time | **405,130** | **–** | **–** | **–** | **405,130** |
| Over time | **–** | **9,986** | **63,297** | **9,343** | **82,626** |
| | **405,130** | **9,986** | **63,297** | **9,343** | **487,756** |

2019

| | Intelligent terminal products sales RMB'000 | Provision of coordination, management and installation services of smart cities RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| A point in time | 252,937 | – | – | – | 252,937 |
| Over time | – | 4,388 | 31,355 | 10,236 | 45,979 |
| | 252,937 | 4,388 | 31,355 | 10,236 | 298,916 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (i) Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from types of goods or services with the amounts disclosed in the segment information.

**For the year ended 31 March 2020**

| | Types of goods or services | | | | |
|---|---|---|---|---|---|
| | Intelligent terminal products sales RMB'000 | Provision of coordination, management and installation services of smart cities RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
| **Operating segments** | | | | | |
| Intelligent terminal products sales | 401,223 | – | – | – | 401,223 |
| System integration | 3,907 | 9,986 | – | – | 13,893 |
| Software development | – | – | 63,297 | – | 63,297 |
| System maintenance services | – | – | – | 9,343 | 9,343 |
| | 405,130 | 9,986 | 63,297 | 9,343 | 487,756 |

**For the year ended 31 March 2019**

| | Types of goods or services | | | | |
|---|---|---|---|---|---|
| | Intelligent terminal products sales RMB'000 | Provision of coordination, management and installation services of smart cities RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
| **Operating segments** | | | | | |
| Intelligent terminal products sales | 245,198 | – | – | – | 245,198 |
| System integration | 7,739 | 4,388 | 14 | – | 12,141 |
| Software development | – | – | 31,341 | – | 31,341 |
| System maintenance services | – | – | – | 10,236 | 10,236 |
| | 252,937 | 4,388 | 31,355 | 10,236 | 298,916 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (ii) Performance obligations for contracts with customers

**Intelligent terminal products sales (revenue recognised at a point in time)**

The Group sells the intelligent terminal products, such as RFID equipment and electronic products, directly to its customer. The revenue from intelligent terminal products sales is recognised at a point of time when the products are accepted by customer in which the control are transferred to the customer. The normal credit term is 180 days upon acceptance by customers, subject to assurance type warranty. In general, the Group provides a standard 1 year warranty to its customers, no significant sale return was noted up to report date and therefore the Group estimated there are no significant provision regarding warranty.

For sales of products in system integration segment, the Group considers the control of products transferred when customers have checked and accepted the products and the performance obligation is satisfied at which the control is transferred. The revenue from product sales in system integration segment is recognised at a point in time. The normal credit term is within 270 days upon acceptance by customers. No significant sale return was noted up to report date and therefore the Group estimated there are no significant provision regarding warranty.

**Provision of coordination, management and installation services (revenue recognised over time)**

The Group provides total solutions service including procurement of materials, design, system development and integration process to its customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these services based on the stage of completion of the contract with reference to periodic progress certificates issued by its customers. The normal credit term is within 270 days upon completion of services. In general, the Group provides not more than 1 year assurance type warranty to its customers.

**Software development (revenue recognised over time)**

The Group develops customised software to its customers according to customer's specific needs and requirements. Therefore, it does not have an alternative use to the Group. As stipulated in the contracts, the Group has the rights to require its customer to pay the performance completed to date if the projects are suspended or cancelled. The revenue from software development is recognised over time as 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. The normal credit term is within 180 days upon the completion of software development and the services and products are accepted by customers. In general, the Group provides not more than 1 year assurance type warranty to its customers.

**System maintenance services (revenue recognised over time)**

The Group provides on site system maintenance services. The scope for maintenance contract solely includes maintenance work for a fixed period. The revenue from provision of system maintenance services is recognised over time as the customer simultaneously receives and consumes the maintenance services as time elapsed within the service period as the Group performs. Accordingly, revenue is recognised on a straight-line basis during the service period. The customers should settle the trade receivable within 180 days upon the issue of value added tax invoice.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 and the expected timing of recognising revenue are as follows:

| | **System maintenance services RMB'000** |
|---|---|
| Within one year | **4,910** |
| More than one year but not more than two years | **67** |
| More than two years but not more than three years | **28** |
| | **5,005** |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

| | System maintenance services RMB'000 |
|---|---|
| Within one year | 7,290 |
| More than one year but not more than two years | 4,830 |
| | 12,120 |

All intelligent terminal products sales contracts, provision of coordination, management and installation services of smart cities and software development contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

The Group's operating segments are determined based on information reported to Mr. Lai, 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 currently are as follows:

(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 operating and reportable 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:

| | Intelligent terminal products sales RMB'000 | System integration RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **For the year ended 31 March 2020** | | | | | |
| REVENUE | | | | | |
| External sales | 401,223 | 13,893 | 63,297 | 9,343 | 487,756 |
| SEGMENT PROFIT | 63,304 | 5,182 | 34,285 | 2,718 | 105,489 |
| Unallocated income | | | | | 4,514 |
| Unallocated expenses | | | | | (81,278) |
| Finance costs | | | | | (10,353) |
| Unallocated other gains and losses | | | | | (56,214) |
| Share of loss of an associate | | | | | (226) |
| Loss before taxation | | | | | (38,068) |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

| | Intelligent terminal products sales RMB'000 | System integration RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **For the year ended 31 March 2019** | | | | | |
| REVENUE | | | | | |
| External sales | 245,198 | 12,141 | 31,341 | 10,236 | 298,916 |
| SEGMENT PROFIT | 77,814 | 2,691 | 17,782 | 3,188 | 101,475 |
| Unallocated income | | | | | 5,675 |
| Unallocated expenses | | | | | (61,021) |
| Finance costs | | | | | (2,802) |
| Unallocated other gains and losses | | | | | 3,677 |
| Profit before taxation | | | | | 47,004 |

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

The CODM makes decisions according to operating results of each segment. Therefore, only segment revenue and segment results are presented.

### 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 information

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

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Information about major customers

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

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Customer A[1] | **225,721** | 103,935 |
| Customer B[1] | **97,462** | N/A[2] |
| Customer C[1] | **N/A[2]** | 50,389 |
| Customer D[1] | **–** | 43,090 |
| Customer E[1] | **–** | 33,461 |

[1] Revenue from intelligent terminal products sales segment

[2] The corresponding revenue did not contribute over 10% of total revenue of the Group.

## 6. OTHER INCOME

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Interest income from bank deposits | **82** | 79 |
| Rental income | **602** | 508 |
| Government grants *(note)* | **3,661** | 4,993 |
| Others | **169** | 95 |
| | **4,514** | 5,675 |

*Note:* Government grants mainly represented unconditional grants in relation to sale of qualifying technological products granted by the local government to 艾伯資訊(深圳)有限公司 (IBO Information (Shenzhen) Limited) ("**IBO Information**") and 深圳市偉圖科技開發有限公司 (Shenzhen Weitu Technology Development Company Limited) ("**Weitu Technology**").

## 7. OTHER GAINS AND LOSSES

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Loss on disposal of a subsidiary | **–** | (237) |
| Loss on disposal of property, plant and equipment | **–** | (3) |
| (Loss) gain on change in fair value of investment properties | **(400)** | 1,140 |
| (Loss) gain on change in fair value of financial assets at FVTPL | **(826)** | 1,911 |
| Loss on change in fair value of consideration payables *(note 36)* | **(3,994)** | (4,149) |
| Net exchange (loss) gain | **(5,196)** | 5,015 |
| Recognition of deferred loss from initial recognition of convertible bonds *(note 34)* | **(6,289)** | – |
| Loss on change in fair value of the derivative component of the convertible bonds *(note 34)* | **(4,637)** | – |
| Impairment loss recognised on goodwill | **(20,525)** | – |
| Impairment loss recognised on interest in an associate | **(14,464)** | – |
| Others | **117** | – |
| | **(56,214)** | 3,677 |

## 8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Net impairment losses (recognised) reversed on: | | |
| — Rental deposits | **(14)** | (10) |
| — Trade receivables | **(7,744)** | 223 |
| — Other receivables | **(48)** | (29) |
| — Contract assets | **(8)** | (12) |
| | **(7,814)** | 172 |

Details of impairment assessment for the year ended 31 March 2020 are set out in note 39.

## 9. FINANCE COSTS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Interest on bank borrowings | **1,923** | 1,598 |
| Interest on bonds payables | **5,299** | 1,204 |
| Interest on convertible bonds | **2,749** | – |
| Interest on lease liabilities | **382** | – |
| | **10,353** | 2,802 |

## 10. INCOME TAX EXPENSE

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong | **–** | 299 |
| PRC Enterprise Income Tax ("**EIT**") | **14,231** | 12,306 |
| Overprovision of EIT in prior year | **(297)** | – |
| | **13,934** | 12,605 |
| Deferred tax *(note 32)* | **(1,862)** | (541) |
| | **12,072** | 12,064 |

### Hong Kong

During 2019, under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity was taxed at 8.25%, and profits above HK$2 million was taxed at 16.5%.

During the current year, no provision for taxation in Hong Kong has been made as the Group has no assessable profit for the year.

## 10. INCOME TAX EXPENSE (Continued)

### PRC

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

In December 2019, IBO Information renewed the qualification of High and New Technology Enterprise ("**HNTE**") granted 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 December 2022 in accordance with the PRC EIT Law.

In December 2019, Weitu Technology was qualified as a HNTE granted by the Shenzhen Local Taxation Administrator and Shenzhen Municipal office of the State Administration of Taxation and is therefore entitled to preferential tax rate of 15% up to December 2022 in accordance with the PRC EIT Law.

Certain subsidiaries other than IBO Information and Weitu technology located in PRC are qualified with the standard of small and low profit enterprises and are therefore entitled to preferential tax rate of 20%.

No provision for EIT for other subsidiaries have been made as other subsidiaries have no assessable profit for both years.

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| (Loss) profit before taxation | **(38,068)** | 47,004 |
| Tax at the applicable tax rate of 15% | **(5,710)** | 7,051 |
| Tax effect of expenses not deductible for tax purposes | **15,529** | 3,136 |
| Tax effect of share of loss of an associate | **34** | – |
| Tax effect of deductible temporary difference not recognised | **592** | – |
| Tax effect of tax loss not recognised | **1,045** | – |
| Additional tax benefit on research and development expenses *(note)* | **(1,176)** | (650) |
| Deferred tax on undistributed earnings of PRC subsidiaries | **3,860** | 2,527 |
| Effect of different tax rates of subsidiaries | **(1,805)** | – |
| Overprovision of EIT in prior year | **(297)** | – |
| | **12,072** | 12,064 |

*Note:* Pursuant to the relevant tax rules and regulations, the Group could obtain additional tax benefit, which is a further 75% of certain qualified research and development expenses incurred endorsed by the Shenzhen Local Taxation Administrator.

## 11. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR

(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging (crediting):

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Directors' remuneration: | | |
| — Fees | **3,808** | 2,657 |
| — Salaries and other allowances | **4,852** | 1,921 |
| — Retirement benefit scheme contributions | **97** | 190 |
| — Equity-settled share-based payments | **16,699** | 4,401 |
| Other staff costs: | | |
| — Salaries and other allowances | **23,954** | 17,361 |
| — Retirement benefit scheme contributions | **2,212** | 1,809 |
| — Equity-settled share-based payments | **3,587** | 8,802 |
| Total staff costs | **55,209** | 37,141 |
| Auditor's remuneration | **3,161** | 2,494 |
| Depreciation of property, plant and equipment | **2,685** | 1,714 |
| Depreciation of right-of-use assets | **2,988** | – |
| Amortisation of intangible assets (included in cost of sales and services rendered and administrative expenses) | **13,879** | 6,524 |
| Cost of inventories recognised as an expense (included in cost of sales and services rendered) | **374,067** | 197,147 |
| Gross rental income from investment properties | **602** | 508 |
| Minimum operating lease rental expense in respect of rented premises | **–** | 5,413 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company during the year are as follows:

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Retirement benefit scheme contributions RMB'000 | Equity-settled share-based payments RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2020** | | | | | |
| Executive directors: | | | | | |
| Mr. Lai | **1,069** | **822** | **16** | **9,390** | **11,297** |
| Mr. Gao Weilong ("**Mr. Gao**") *(note 1)* | **427** | **513** | **27** | **598** | **1,565** |
| Mr. Teng Feng ("**Mr. Teng**") | **428** | **416** | **27** | **598** | **1,469** |
| Mr. Yu Kin Keung ("**Mr. Yu**") | **321** | **749** | **16** | **598** | **1,684** |
| Mr. Lyu Huiheng | **321** | **247** | **–** | **–** | **568** |
| Ms. Cheng Yan ("**Ms. Cheng**") *(note 2)* | **702** | **2,105** | **11** | **5,515** | **8,333** |
| Independent non-executive directors: | | | | | |
| Dr. He Tianxiang | **180** | **–** | **–** | **–** | **180** |
| Dr. Wong Kwok Yan | **180** | **–** | **–** | **–** | **180** |
| Mr. Hung Muk Ming | **180** | **–** | **–** | **–** | **180** |
| Total | **3,808** | **4,852** | **97** | **16,699** | **25,456** |

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Retirement benefit scheme contributions RMB'000 | Equity-settled share-based payments RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2019** | | | | | |
| Executive directors: | | | | | |
| Mr. Lai | 1,031 | 386 | 15 | – | 1,432 |
| Mr. Gao | 309 | 466 | 75 | 1,467 | 2,317 |
| Mr. Teng | 309 | 374 | 76 | 1,467 | 2,226 |
| Mr. Yu | 309 | 495 | 15 | 1,467 | 2,286 |
| Mr. Lyu Huiheng | 309 | 200 | 9 | – | 518 |
| Independent non-executive directors: | | | | | |
| Dr. He Tianxiang | 130 | – | – | – | 130 |
| Dr. Wong Kwok Yan | 130 | – | – | – | 130 |
| Mr. Hung Muk Ming | 130 | – | – | – | 130 |
| Total | 2,657 | 1,921 | 190 | 4,401 | 9,169 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

*Notes:*

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

2. Ms. Cheng was appointed as an executive director and vice chairperson of the Company with effect from 7 August 2019 and resigned with effect from 25 May 2020.

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

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

For both years, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 43 to the Group's consolidated financial statements.

During the year, except for the 20,000,000 share options granted to Ms. Cheng as an inducement to join the Group (2019:none), no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company waived or agreed to waive any emolument for both years.

## 13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include 5 directors (2019: 3 directors) of the Company, details of whose emoluments are set out in note 12 above. Details of the emoluments of the remaining 2 highest paid employee who was neither director nor chief executive of the Company in last year are as follows:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Salaries and other allowances | – | 669 |
| Retirement benefit scheme contributions | – | 67 |
| Equity-settled share-based payments | – | 2,933 |
| | – | 3,669 |

The emoluments of the employees were within the following bands:

| | **2020**<br>**Number of**<br>**employee** | 2019<br>Number of<br>employee |
|---|---|---|
| HK$2,000,001 to HK$2,500,000 | – | 2 |

During the year, except for the share options granted to Ms. Cheng as an inducement to join the group (2019:none), no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

## 15. (LOSS) EARNINGS PER SHARE

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

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| (Loss) earnings: | | |
| (Loss) earnings for the purpose of calculating basic (loss) earnings per share | **(52,955)** | 33,951 |

| | **2020 '000** | 2019 '000 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share | **411,590** | 400,000 |
| Share options | **–** | 765 |
| Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share | **411,590** | 400,765 |

The computation of diluted loss per share for the year ended 31 March 2020 does not assume the exercise of the Company's share options, the conversion of the outstanding convertible bonds or the issuance of consideration shares for the acquisition of subsidiaries since their assumed exercise, conversion or issuance would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 March 2019 does not assume the issuance of consideration shares for the acquisition of subsidiaries since their assumed issuance would result in an increase in earnings per share.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements RMB'000 | Building RMB'000 | Furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 April 2018 | 741 | – | 352 | 1,763 | 8,895 | 11,751 |
| Additions | 2,332 | – | 174 | 2,451 | 322 | 5,279 |
| Acquired on acquisition of subsidiaries *(note 36)* | – | 513 | 10 | – | 281 | 804 |
| Disposals | – | – | – | – | (70) | (70) |
| At 31 March 2019 | 3,073 | 513 | 536 | 4,214 | 9,428 | 17,764 |
| Additions | 1,647 | – | 123 | 712 | 575 | 3,057 |
| At 31 March 2020 | **4,720** | **513** | **659** | **4,926** | **10,003** | **20,821** |
| DEPRECIATION | | | | | | |
| At 1 April 2018 | 723 | – | 333 | 841 | 5,907 | 7,804 |
| Provided for the year | 364 | 8 | 3 | 450 | 889 | 1,714 |
| Eliminated on disposals | – | – | – | – | (66) | (66) |
| At 31 March 2019 | 1,087 | 8 | 336 | 1,291 | 6,730 | 9,452 |
| Provided for the year | 927 | 49 | 41 | 621 | 1,047 | 2,685 |
| At 31 March 2020 | **2,014** | **57** | **377** | **1,912** | **7,777** | **12,137** |
| CARRYING VALUES | | | | | | |
| At 31 March 2020 | **2,706** | **456** | **282** | **3,014** | **2,226** | **8,684** |
| At 31 March 2019 | 1,986 | 505 | 200 | 2,923 | 2,698 | 8,312 |

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

| | |
|---|---|
| Leasehold improvements | Over the term of the relevant lease, or 5 years whichever is shorter |
| Building | Over 20 years |
| Furniture and fixtures | Over 5 years |
| Motor vehicles | Over 5–10 years |
| Office equipment | Over 5 years |

## 17. RIGHT-OF-USE ASSETS

| | Leased Properties RMB'000 |
|---|---|
| At 1 April 2019 | |
| Carrying amount | 4,551 |
| At 31 March 2020 | |
| Carrying amount | 8,696 |
| For the year ended 31 March 2020 | |
| Depreciation charge | 2,988 |
| Expense relating to short-term leases | 70 |
| Expense relating to leases with lease terms end within 12 months of the date of initial application of HKFRS 16 | 3,032 |
| Total cash outflow for leases | 6,272 |
| Additions to right-of-use assets | 7,294 |

For both years, the Group leases offices and staff dormitories for its operations. Lease contracts are entered into for fixed term of 2 to 3 years without extension and termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff dormitories. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed as above.

During the current year, there were reduction to right-of-use assets of RMB161,000 and the related lease liabilities, due to rent concession of certain contracts.

Details of the lease maturity analysis of lease liabilities are set out in note 30.

## 18. INVESTMENT PROPERTIES

The Group leases out commercial property units under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years without extension and termination options.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currency of the relevant group entity.

| | RMB'000 |
|---|---|
| FAIR VALUE | |
| At 1 April 2018 | 19,360 |
| Gain on fair value change recognised in profit or loss | 1,140 |
| At 31 March 2019 | 20,500 |
| Loss on fair value change recognised in profit or loss | (400) |
| At 31 March 2020 | 20,100 |

The fair values of the Group's investment properties situated on land in the PRC as at 31 March 2020 and 2019 have been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), independent qualified professional valuers not connected to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value was determined based on direct comparison approach for the buildings. The approach uses prices generated by market transactions involving comparable properties.

One of the key inputs used in valuing the buildings was the price per square meter adjusted by locations, size and conditions of the buildings, which ranged from RMB26,000 to RMB30,000 (2019: RMB28,000 to RMB32,000) as at 31 March 2020. Higher price per square meter used would result in a higher fair value of the respective buildings and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

| | **Fair value hierarchy** | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| Commercial property units located in Shenzhen, the PRC | Level 3 | **20,100** | 20,500 |

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

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

## 19. GOODWILL

| | RMB'000 |
|---|---|
| COST | |
| As at 1 April 2018 | – |
| Arising on acquisition of subsidiaries *(note 36)* | 44,157 |
| As at 31 March 2019 and 2020 | 44,157 |
| IMPAIRMENT | |
| As at 1 April 2018 and 31 March 2019 | – |
| Impairment loss recognised in the year | 20,525 |
| As at 31 March 2020 | 20,525 |
| CARRYING VALUES | |
| As at 31 March 2020 | 23,632 |
| As at 31 March 2019 | 44,157 |

Particulars regarding impairment testing on goodwill are disclosed in note 21.

## 20. INTANGIBLE ASSETS

| | Development costs RMB'000 | Brand name RMB'000 | Club membership RMB'000 | Customer relationship RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| COST | | | | | |
| As at 1 April 2018 | – | – | – | – | – |
| Acquired on acquisition of subsidiaries *(note 36)* | 27,701 | 21,300 | – | 23,867 | 72,868 |
| Acquisition of a club membership | – | – | 818 | – | 818 |
| As at 31 March 2019 | 27,701 | 21,300 | 818 | 23,867 | 73,686 |
| Additions | 6,795 | – | – | – | 6,795 |
| As at 31 March 2020 | 34,496 | 21,300 | 818 | 23,867 | 80,481 |
| AMORTISATION | | | | | |
| As at 1 April 2018 | – | – | – | – | – |
| Charge for the year | 1,111 | – | 38 | 5,375 | 6,524 |
| As at 31 March 2019 | 1,111 | – | 38 | 5,375 | 6,524 |
| Charge for the year | 5,719 | – | 41 | 8,119 | 13,879 |
| As at 31 March 2020 | 6,830 | – | 79 | 13,494 | 20,403 |
| CARRYING VALUES | | | | | |
| As at 31 March 2020 | 27,666 | 21,300 | 739 | 10,373 | 60,078 |
| As at 31 March 2019 | 26,590 | 21,300 | 780 | 18,492 | 67,162 |

Development costs, brand name and customer relationship are mainly acquired from acquisition of Bright Leap Limited ("**Bright Leap**"), a limited liability company incorporated in British Virgin Islands ("**BVI**"), together with its subsidiaries ("**Bright Leap Group**"). Club membership is acquired from third parties.

The management of the Group considers development costs and club membership have finite useful lives and are amortised on a straight-line basis over the following periods:

| | |
|---|---|
| Development costs | 6.2 years |
| Club membership | 20 years |
| Customer relationship | 2.2 years |

Customer relationship has finite estimated useful lives and it is amortised based on expected economic benefit generated from customer relationship.

Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 21.

## 21. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and brand name with indefinite useful lives set out in notes 19 and 20 respectively have been allocated to two individual CGUs, comprising the system integration segment and the software development segment. The carrying amounts of goodwill and brand name allocated to these units are as follows:

| | Goodwill | | Brand name with indefinite useful life | |
|---|---|---|---|---|
| | **2020 RMB'000** | 2019 RMB'000 | **2020 RMB'000** | 2019 RMB'000 |
| System integration business (Unit A) | **17,652** | 38,177 | **18,614** | 18,614 |
| Software development business (Unit B) | **5,980** | 5,980 | **2,686** | 2,686 |
| | **23,632** | 44,157 | **21,300** | 21,300 |

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

### Unit A

Unit A mainly provides cloud services and integrated solutions for urban public service administration Software-as-a Service. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and pre-tax discount rate of 32.20% (2019:33.49%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 3.00% (2019:2.00%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rate of revenue, which is based on the unit's past performance, management's expectations on customers' needs and the market development.

Due to the adverse effect of the COVID-19 and the failure to reach the budgeted revenue, the value in use of Unit A is adversely impacted as at the year ended 31 March 2020. The directors of the Company have consequently determined impairment of goodwill directly related to Unit A amounting to RMB20,525,000 (2019: nil). The impairment loss has been included in profit or loss in the other gains and losses line item.

If the pre-tax discount rate increases by 10% to 35.42% (2019: 36.84%), while other parameters remain constant, further impairment of goodwill of RMB5,126,000 (2019: RMB13,313,000) would be recognised.

If the revenue can reach only 90% of budget revenue for each year, while other parameters remain constant, further impairment of goodwill of RMB11,262,000 (2019: RMB22,723,000) would be recognised.

### Unit B

Unit B mainly develops customised software to its customers related to urban public service administration. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and pre-tax discount rate of 32.25% (2019:33.07%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 3.00% (2019:2.00%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rate of revenue, which is based on the unit's past performance, management's expectations on customers' needs and the market development.

## 21. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

### Unit B (Continued)

As at 31 March 2020, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount. As at 31 March 2019, if the pre-tax discount rate rose to 34.50%, the recoverable amount of Unit B would be approximately equal to its carrying amount.

## 22. INTEREST IN AN ASSOCIATE

| | 2020<br>RMB'000 |
|---|---|
| Cost of investment, unlisted | **22,470** |
| Share of post-acquisition loss and other comprehensive expense, net of dividends received | **(226)** |
| Impairment loss recognised | **(14,464)** |
| | **7,780** |

As at 31 March 2020, the Group has interest in the following associate:

| Name of entity | Proportion of ownership interest directly held by the Group | Place and country of establishment/ business | Registered capital | Principal activity |
|---|---|---|---|---|
| Good Cheer Ventures Limited ("**Good Cheer**") 美樂創投有限公司 | 15% *(note)* | BVI | USD50,000 | Investment holding company |

*Note:* The Group is able to exercise significant influence over Good Cheer because it has the power to appoint one out of two directors of that company under the Articles of Association of that company and participate in the financial and operating policy decision.

On 17 April 2019 and 25 September 2019, the Group entered into sale and purchase agreements, a first supplemental agreement and a second supplemental agreement (collectively the "**S&P agreement**") with Assemble Bliss Limited, an independent third party, for the acquisition of 15% of the issued share capital of Good Cheer at a consideration of RMB22,470,000 in cash, which was mainly based on the preliminary valuation of Good Cheer conducted by an independent valuer. Good Cheer is an investment holding company. It owns 96.7742% equity interest in an operating subsidiary, Shenzhen Tongtianhui Technology Company Limited ("**Tongtianhui**"), in the PRC. The subsidiary operates a one-stop education technology service platform in the PRC to provide comprehensive solutions for its customers such as education institutions and/or individual education service providers to achieve precise matching between its customers and its online platform user. The directors of the Company considered the acquisition of Good Cheer and its subsidiaries ("**Good Cheer Group**") enabled the Group to leverage on its advantages in the technology development arena and to enter into the education industry in a more efficient way, and the anticipated future operating synergies from the acquisition would help achieve expansion of the Group's current business.

Included in the cost of interest in an associate was goodwill of RMB23,059,000 arising on acquisition of Good Cheer.

## 22. INTEREST IN AN ASSOCIATE (Continued)

At the time of the acquisition, Tongtianhui planned to expand to major cities across the PRC. Due to the outbreak of COVID-19, the expansion plan was suspended resulting in a significant drop in the budgeted revenue. As at 31 March 2020, the directors of the Company assessed the recoverable amount of the associate, being its value in use. The value in use was determined by estimating the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the associate, which were in turn derived from the estimated cash flows of the underlying education business of the associate, discounted at a pre-tax rate of 28.42%. As a result of the assessment, an impairment loss of RMB14,464,000 was recognised.

The consolidated financial information of the Group's associate are prepared using uniform accounting policies in conformity with the accounting policies adopted by the Group. The associate is accounted for using the equity method in these consolidated financial statements. The summarised consolidated financial information in respect of the Group's associate is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs.

### Good Cheer Group

| | 2020<br>RMB'000 |
|---|---|
| Current assets | 498 |
| Non-current assets | 309 |
| Current liabilities | (6,316) |
| Non-current liabilities | (109) |
| Revenue | 186 |
| Loss for the year | (1,554) |
| Dividends received from the associate during the year | – |

## 22. INTEREST IN AN ASSOCIATE (Continued)

### Good Cheer Group (Continued)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

| | 2020<br>RMB'000 |
|---|---|
| Net deficit of the associate | (5,618) |
| Non-controlling interests of Good Cheer's subsidiary | 183 |
| Carrying amount of the Group's interest in the associate | (5,435) |
| Proportion of the Group's ownership interest in the associate | 15% |
| The Group's share of net deficit of the associate | (815) |
| Goodwill | 23,059 |
| Accumulated impairment loss recognised | (14,464) |
| Carrying amount of the Group's interest in the associate | 7,780 |

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Financial assets mandatorily measured at FVTPL: | | |
| Non-current: | | |
| Convertible bonds | – | 460 |
| Current: | | |
| Listed securities held for trading *(note)* | 1,392 | 7,793 |

*Note:* The listed securities mainly represent the Group's equity interests in several companies which are listed on the Main Board of the Stock Exchange.

## 24. INVENTORIES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Raw materials | 143 | 824 |
| Finished goods | 532 | 51,073 |
| | 675 | 51,897 |

## 25. TRADE AND OTHER RECEIVABLES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Trade receivables | **338,215** | 156,025 |
| Less: allowance for ECL | **(9,147)** | (1,403) |
| | **329,068** | 154,622 |
| Other receivables, net of ECL | **2,277** | 762 |
| Value-added tax recoverable | **1,246** | – |
| Prepayments for purchase of inventories | **77,773** | 84,765 |
| Rental deposit, net of ECL | **264** | 835 |
| Total trade and other receivables | **410,628** | 240,984 |

As at 1 April 2018, trade receivables from contracts with customers amounted to RMB100,474,000.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

The Group allows credit period ranging from 30 days to 270 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:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| 0–30 days | **99,406** | 96,078 |
| 31–90 days | **117,700** | 12,909 |
| 91–180 days | **36,768** | 37,177 |
| 181–365 days | **58,370** | 3,075 |
| Over 365 days | **16,824** | 5,383 |
| | **329,068** | 154,622 |

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB69,856,000 (2019: RMB9,394,000) which are past due as at the reporting date. Out of the past due balances, RMB22,182,000 (2019: RMB7,208,000) has been past due 90 days or more and is not considered as in default, because the management expects that the debtor is able and likely to pay for the debts based on the debtors' repayment history and subsequent settlements. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2020 are set out in note 39.

## 26. CONTRACT ASSETS

| | 31 March 2020 RMB'000 | 31 March 2019 RMB'000 |
|---|---|---|
| **Contract assets:** | | |
| Provision of coordination, management and installation services of smart cities | **625** | 656 |
| Software development | **11,164** | 11,585 |
| Intelligent terminal products sales | **–** | 15 |
| Less: allowance for credit losses | **(49)** | (41) |
| | **11,740** | 12,215 |

As at 1 April 2018, contract assets amounted to RMB3,619,000.

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, which was generally within one year. 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.

Details of the impairment assessment are set out in note 39.

## 27. AMOUNTS DUE FROM A RELATED COMPANY/FROM (TO) NON-CONTROLLING INTERESTS

### Amount due from a related company

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Name of a related company** | | |
| 怡明投資有限公司 | | |
| (Emax Investment Limited) ("**Emax**") *(note a)* | **–** | 38 |
| Good Cheer *(note b)* | **243** | – |
| | **243** | 38 |

*Notes:*

(a) The amount due from a related company, which is controlled by Mr. Lai Tse Ming, represents rental receivable. It is unsecured, non-interest bearing and repayable on demand.

(b) The amount due from an associate, which is unsecured, non-trade nature, non-interest bearing and repayable on demand. The aging of the amount is within one year.

## 27. AMOUNTS DUE FROM A RELATED COMPANY/FROM (TO) NON-CONTROLLING INTERESTS (Continued)

### Amounts due from non-controlling interests

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Name of non-controlling interests** | | |
| Big Victory Global Limited | **21** | 20 |
| Yi Family Holding Limited Company | **16** | 16 |
| Wisdom Galore Limited ("**Wisdom Galore**") | **175** | 161 |
| Mr. Ke Chengwei ("**Mr. Ke**") | **1,492** | – |
| | **1,704** | 197 |

The amounts due from non-controlling interests are non-trade nature, unsecured, non-interest bearing and repayable on demand.

### Amounts due to non-controlling interests

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Name of non-controlling interests** | | |
| Wisdom Galore *(note 36)* | **7,360** | 7,360 |
| Mr. Ke | **2,509** | 6,321 |
| | **9,869** | 13,681 |

The amounts due to non-controlling interests are non-trade nature, unsecured, non-interest bearing and repayable on demand.

## 28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand and bank balances. Bank balances carried interest at prevailing market interest rates which were ranging from 0.00% to 0.35% (2019: 0.01% to 0.35% per annum) as at 31 March 2020. Pledged bank deposits represents deposits pledged to banks to secure banking facilities of bills payables granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bills payables.

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

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| HK$ | **940** | 12,488 |
| United State Dollar ("**USD**") | **12** | – |
| | **952** | 12,488 |

## 29. TRADE AND OTHER PAYABLES

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Trade payables | **31,227** | 40,584 |
| Bills payables | **2,000** | – |
| Other payables and other accruals | **10,413** | 6,492 |
| Other tax payables | **47,935** | 23,178 |
| Accrued payroll expenses | **7,192** | 2,870 |
| Interest payables | **1,595** | 716 |
| Total trade and other payables | **100,362** | 73,840 |

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:

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| 0–30 days | **2,566** | 11,113 |
| 31–90 days | **51** | 821 |
| Over 90 days | **28,610** | 28,650 |
| | **31,227** | 40,584 |

## 30. LEASE LIABILITIES

| | 2020<br>RMB'000 |
|---|---|
| Lease liabilities payable: | |
| Within one year | **5,222** |
| Within a period of more than one year but not more than two years | **3,680** |
| Within a period of more than two years but not more than three years | **5** |
| | **8,907** |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(5,222)** |
| Amount due for settlement after 12 months shown under non-current liabilities | **3,685** |

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | HK$<br>RMB'000 |
|---|---|
| As at 31 March 2020 | **2,511** |

## 31. BANK BORROWINGS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Secured bank borrowings | **21,054** | 25,632 |
| Carrying amount of the above borrowings are repayable: | | |
| Within one year | **19,844** | 25,109 |
| More than one year, but not more than two years | **1,151** | 340 |
| More than two years, but not more than five years | **59** | 183 |
| | **21,054** | 25,632 |
| Less: Amounts due within one year shown under current liabilities | **(19,844)** | (25,109) |
| Amounts shown under non-current liabilities | **1,210** | 523 |
| Breakdown of the bank borrowings: | | |
| Fixed-rate borrowings | **10,302** | 6,832 |
| Floating-rate borrowings | **10,752** | 18,800 |
| | **21,054** | 25,632 |

The Group's variable rate borrowings carry interest at prevailing rate of People's Bank of China plus a spread.

## 31. BANK BORROWINGS (Continued)

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

| | 2020 | 2019 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | 5.66% to 9.00% | 9.00% to 9.50% |
| Variable-rate borrowings | 6.00% to 11.00% | 6.53% to 7.24% |

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of RMB20,100,000 (2019: RMB20,500,000) as at 31 March 2020 have been pledged to the banks.

## 32. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Deferred tax assets | 4,180 | 1,985 |
| Deferred tax liabilities | (24,877) | (24,544) |
| | (20,697) | (22,559) |

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

| | ECL provision RMB'000 | Revaluation of property RMB'000 | Undistributed earnings of PRC entities RMB'000 | Share option RMB'000 | Fair value adjustments of intangible assets on business combination RMB'000 | Interest payable RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2018** | (254) | 1,962 | 4,103 | – | – | – | 5,811 |
| Acquisition of subsidiaries *(note 36)* | – | – | – | – | 17,289 | – | 17,289 |
| Charge (credit) to profit or loss *(note 10)* | 29 | 285 | 2,527 | (1,760) | (1,622) | – | (541) |
| At 31 March 2019 | (225) | 2,247 | 6,630 | (1,760) | 15,667 | – | 22,559 |
| (Credit) charge to profit or loss *(note 10)* | (1,150) | (100) | 3,860 | (717) | (3,427) | (328) | (1,862) |
| **At 31 March 2020** | (1,375) | 2,147 | 10,490 | (2,477) | 12,240 | (328) | 20,697 |

At the end of the reporting period, the Group has unused tax losses of RMB5,225,000 (2019: nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses will expire in 2025.

## 32. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has deductible temporary differences of RMB2,961,000 (2019: nil) related to the unrealised profit of intra-group transaction. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding tax at 5% are imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2020, deferred taxation has been provided for in the consolidated financial statements in respect of all temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to approximately RMB195,232,000 (2019: RMB132,557,000).

## 33. BONDS PAYABLES

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Current portion | **35,538** | – |
| Non-current portion | **31,101** | 26,727 |
| | **66,639** | 26,727 |

During the year ended 31 March 2019, the Group issued bonds at par value in an aggregate principal amount of HK$34,600,000 (equivalent to approximately RMB30,231,000) to independent third parties. The bonds are denominated in HK$ and are unlisted. The Bonds carry interest at a nominal rate of 7% per annum, payable annually in arrears with a maturity period of 2 to 3 years. The effective interest rate of the bond payable is about 13%. The proceeds were utilised for general working capital of the Group. The commission fee amounted to HK$3,936,000 (equivalent to approximately RMB3,442,000) was deducted from the placing proceeds and recognised against the bonds payable.

During the current year, the Group issued bonds at par value in an aggregate principal amount of HK$43,600,000 (equivalent to approximately RMB39,139,000) to independent third parties. The bonds are denominated in HK$ and are unlisted. The Bonds carry interest at a nominal rate of 6% and 7% per annum, payable annually in arrears with a maturity period of 1 to 3 years. The effective interest rate of the bond payable is about 13%. The proceeds were utilised for general working capital of the Group. The commission fee amounted to HK$4,553,000 (equivalent to approximately RMB4,081,000) was deducted from the placing proceeds and recognised against the bonds payable.

## 34. CONVERTIBLE BONDS

On 3 April 2019, the Company completed the issue of convertible bonds (the "**CB I**") with the aggregate principal amount of HK$22,400,000 (equivalent to approximately RMB19,215,000) to independent third parties. The convertible bonds are denominated in HK$. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and the close of business on the fifth business day prior to the maturity date at a conversion price of HK$1.60 per share. If the bonds had not been converted, they will be redeemed on maturity date on 3 April 2022 at par. Interest of 7.5% per annum will be paid on the maturity date. Subsequently, the Company received conversion notices from Fu Lai Financial Group Limited, MJ Capital Investment Limited and Mr. Chan Ming Leung respectively for the conversion of their CB I into ordinary shares. As a result, 1,200,000 new ordinary shares of HK$0.01 each in the share capital of the Company were issued upon conversion of the CB I during the year ended 31 March 2020.

On 10 July 2019, the Company completed the issue of convertible bonds (the "**CB II**") with the aggregate principal amount of HK$31,140,000 (equivalent to approximately RMB27,397,000) to independent third parties. The convertible bonds are denominated in HK$. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 10 July 2022 at a conversion price of HK$1.73 per share. If the bonds had not been converted, they will be redeemed on maturity date on 10 July 2022 at par. Interest of 7.5% per annum will be paid on the maturity date. Subsequently, the Company received conversion notices from Fu Lai Financial Group Limited and Best Summit Investment Limited respectively for the conversion of their CB II into ordinary shares. As a result, 900,000 new ordinary shares of HK$0.01 each in the share capital of the Company were issued upon conversion of the CB II during the year ended 31 March 2020.

The convertible bonds contain two components, a liability component and a derivative component representing the conversion option. The effective interest rates of the debt component are 7.00% for CB I and 7.22% for CB II respectively. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. During the year, transactions costs totalling of RMB1,165,000 had been incurred for the issuance of convertible bonds.

The fair value of the convertible bonds on their respective issue dates was determined using a valuation technique (see note 39(c)(i)). The fair value of the convertible bonds at initial recognition differed from their respective transaction prices as the latter did not reflect the fair value of the conversion options. The difference between the fair value and the transaction price of the convertible bonds at initial recognition amounted to RMB17,695,000 in aggregate which is recognised as a deferred loss against the carrying amount of the convertible bonds.

The movements of the liability and the derivative components of the convertible bonds as well as the deferred Day-1 loss for the current period are set out as below:

| | **Liability component** RMB'000 | **Derivative component** RMB'000 | **Deferred Day-1 loss** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| At 1 April 2019 | – | – | – | – |
| Upon issue of convertible bonds | 46,612 | 17,695 | (17,695) | 46,612 |
| Transaction costs | (852) | – | – | (852) |
| Recognition of deferred Day-1 loss in profit or loss | – | – | 6,289 | 6,289 |
| Change in fair value | – | 4,637 | – | 4,637 |
| Interest charge | 2,749 | – | – | 2,749 |
| Conversion to shares | (3,275) | (1,282) | – | (4,557) |
| Exchange realignment | 2,349 | 1,803 | (785) | 3,367 |
| At 31 March 2020 | **47,583** | **22,853** | **(12,191)** | **58,245** |

## 34. CONVERTIBLE BONDS (Continued)

The fair values of the convertible bonds were determined by independent qualified valuer based on the Binomial Option Pricing model for the year ended 31 March 2020. The key inputs used in the model are disclosed in note 39(c)(i).

## 35. SHARE CAPITAL

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 1 April 2018, 31 March 2019 and 31 March 2020 | 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 2018 and 31 March 2019 | 400,000,000 | 4,000 | 3,349 |
| Issued as consideration for the acquisition of subsidiaries *(note)* | 10,927,509 | 109 | 99 |
| Issue of shares arising from conversion of convertible bonds *(note 34)* | 2,100,000 | 21 | 19 |
| At 31 March 2020 | **413,027,509** | **4,130** | **3,467** |

*Note:* On 17 September 2019, a total of 10,927,509 ordinary shares of par value HK$0.01 each were allotted and issued to Wisdom Galore, in respect of the acquisition of Bright Leap Group in the year ended 31 March 2019.

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

## 36. ACQUISITION OF SUBSIDIARIES

In September 2018, Upright Joy Limited ("**Upright Joy**"), a wholly owned subsidiary of the Group, entered into a series of acquisition agreements with Wisdom Galore ("**Wisdom Galore Acquisition Agreement**") and Thriving Ascend Limited ("**Thriving Ascend**"), independent third parties, for the acquisition of 51.73% equity interest in Bright Leap Group, which wholly owns Weitu Technology, a company established in the PRC with limited liability, together with its subsidiaries ("**Weitu Group**"). On 24 January 2019, the Group completed the acquisition of the 51.73% equity interests in Bright Leap Group at a consideration of RMB75,466,000, which shall be settled by (i) RMB35,091,000 in cash; and (ii) the allotment and issuance of up to 27,318,773 shares (the "**Consideration Shares**") of the Company.

Bright Leap is an investment holding company. The principal activities of its subsidiaries are engaged in business of system integration and software development.

### Consideration transferred

| | RMB'000 |
|---|---|
| Cash paid and payable *(note 1)* | 35,091 |
| Consideration payable in Consideration Shares *(note 2)* | 40,375 |
| | 75,466 |

Acquisition-related costs amounting to RMB893,000 have been excluded from the consideration transferred and have been recognised as an expense in the last year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

*Notes:*

1. Pursuant to the Wisdom Galore Acquisition Agreement, the cash consideration shall be paid within five business days upon completion of the acquisition. As at 31 March 2020 and 2019, RMB7,360,000 was payable to Wisdom Galore which is included within the "amounts due to non-controlling interests" line item, and RMB741,000 was payable to Thriving Ascend which is included within the "trade and other payables" line item in the consolidated statement of financial position.

2. Pursuant to the Wisdom Galore Acquisition Agreement, the Consideration Shares, subject to adjustments based on future results of the Bright Leap Group, shall be paid in three instalments, which shall be satisfied by the allotment and issue of the respective maximum number of new ordinary shares of the Company within thirty days after the date of issuance of the audited financial statements for all subsidiaries in the PRC of the Bright Leap Group for the year ended/ending 31 March 2019, 2020 and 2021 following the completion of the acquisition of Bright Leap Group ("**Relevant Periods**").

   Pursuant to the Wisdom Galore Acquisition Agreement, Wisdom Galore irrevocably and unconditionally guarantee to the Group that the audited consolidated net profit after taxation ("**Actual Net Profit**") of all subsidiaries in the PRC of the Bright Leap Group based on the audited financial statements for the respective Relevant Periods, shall not be less than the guaranteed profits ("**Guaranteed Profits**"). If the Actual Net Profit is less than the Guarantee Profits, the number of new ordinary shares of the Company to be issued as consideration should be adjusted in accordance with the terms of Wisdom Galore Acquisition Agreement. The details of Wisdom Galore Acquisition Agreement are set out in the announcements issued by the Company dated 14 and 21 September 2018.

   As at 31 March 2020, the Guaranteed Profits related to the first Relevant Period have been achieved. The directors of the Company considered that the Guaranteed Profits for the second and the third Relevant Periods will be achievable, and that a total of 27,318,773 new ordinary shares of the Company would be issued in accordance with Wisdom Galore Acquisition Agreement across the three years.

## 36. ACQUISITION OF SUBSIDIARIES (Continued)

### Consideration transferred (Continued)

*Notes:* (Continued)

2. (Continued)

The consideration payable is recognised at fair value. Subsequent to the initial recognition, the consideration payable is measured at fair value with changes in FVTPL. The fair value of the consideration payable at the date of acquisition of Bright Leap Group of RMB40,375,000 was determined by reference to the quoted market price of HK$1.71 (equivalent to RMB1.48) per share of the Company at the date of obtaining the control of Bright Leap Group. As at 31 March 2019, the fair value of the consideration payable was RMB44,524,000 which was determined by reference to the quoted market price of HK$1.90 (equivalent to RMB1.63) per share of the Company at 31 March 2019. The Group recognised a loss on change in fair value of consideration payable of RMB4,149,000 in profit or loss during the year ended 31 March 2019. As at 31 March 2020, the fair value of the consideration payable was RMB32,798,000 which was determined by reference to the quoted market price of HK$2.19 (equivalent to RMB2.00) per share of the Company at 31 March 2020. The Group recognised a loss on change in fair value of consideration payable of RMB3,994,000 in profit or loss during the year ended 31 March 2020.

On 17 September 2019, a total of 10,927,509 ordinary shares of par value HK$0.01 each were allotted and issued to Wisdom Galore for settling the first installment of the Consideration Shares at HK$1.59 per share. 8,195,632 Consideration Shares of the Company will be issued within one year from 31 March 2020 and the directors of the Company considered that the remaining 8,195,632 Consideration Shares of the Company will be issued within one year from 31 March 2021 in accordance with the terms of Wisdom Galore Acquisition Agreement. Accordingly, the carrying amount of consideration payable of RMB16,399,000 is classified as current liabilities and the carrying amount of consideration payable of RMB16,399,000 is classified as non-current liabilities.

### Assets and liabilities recognised at the date of acquisition were as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment | 804 |
| Intangible assets | 72,868 |
| Rental deposits | 49 |
| Cash and cash equivalents | 209 |
| Trade and other receivables | 9,726 |
| Contract assets | 4,303 |
| Trade and other payables | (3,204) |
| Amount due to Mr. Ke | (5,665) |
| Tax payables | (1,279) |
| Deferred tax liabilities | (17,289) |
| | 60,522 |

The fair value of trade and other receivables at the date of acquisition amounted to RMB9,726,000, while the gross contractual amounts of those trade and other receivables acquired amounted to RMB9,870,000 at the date of acquisition. The fair values of intangible assets (representing development costs amounting RMB27,701,000, brand name amounting RMB21,300,000 and customer relationship amounting RMB23,867,000) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management including discount rates, growth rates and useful lives of the intangible assets.

## 36. ACQUISITION OF SUBSIDIARIES (Continued)

The Group recognised provisional goodwill of RMB44,157,000 in its consolidated financial statements for the year ended 31 March 2019. During the year ended 31 March 2020, the identification and determination of fair values of the net identifiable assets of Bright Leap Group have been completed. Goodwill arose on the acquisition of Bright Leap Group is RMB44,157,000. No adjustments are made on the comparative information of the consolidated statement of financial position as at 31 March 2019.

### Goodwill arising on acquisition

| | RMB'000 |
|---|---|
| Consideration transferred | 75,466 |
| Plus: non-controlling interests (48.27% in Bright Leap Group) | 29,213 |
| Less: recognised amount of identifiable net assets acquired | (60,522) |
| Goodwill arising on acquisition | 44,157 |

The non-controlling interest (48.27%) in Bright Leap Group recognised at the acquisition date was measured by reference to the proportionate share of fair value of net assets of Bright Leap Group and amounted to RMB29,213,000.

Goodwill arose on the acquisition of Bright Leap Group because the acquisition included a control premium. In addition, the goodwill included amounts in relation to expected synergies, revenue growth, future market development and the assembled workforce for Bright Leap Group. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

### Net cash outflows arising on acquisition of Bright Leap Group

| | RMB'000 |
|---|---|
| Consideration paid in cash | 26,990 |
| Less: cash and cash equivalents balance acquired | (209) |
| | 26,781 |

Included in the net profit for the year ended 31 March 2019 was RMB2,099,000 attributable to Bright Leap Group. Revenue for the year ended 31 March 2019 included about RMB12,101,000 was attributable to Bright Leap Group.

Had the acquisition been completed on 1 April 2018, total group revenue for the year ended 31 March 2019 would have been about RMB310,826,000 and profit for the year ended 31 March 2019 would have been about RMB37,853,000.The pro forma information was for illustrative purpose only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor was it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Bright Leap Group been acquired on 1 April 2018, the directors of the Company have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

## 37. OPERATING LEASES

### The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | 2019<br>RMB'000 |
|---|---|
| Within one year | 5,169 |
| In the second year to fifth year inclusive | 2,683 |
| | 7,852 |

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises and staff dormitories. Leases are negotiated with fixed lease term for 1 to 3 years.

### The Group as lessor

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

Lease payments receivable on leases are as follows:

| | **2020**<br>**RMB'000** |
|---|---|
| Within one year | **165** |

As at 31 March 2019, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2019<br>RMB'000 |
|---|---|
| Within one year | 334 |
| In the second year to fifth year inclusive | 120 |
| | 454 |

## 38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 31, bonds payables disclosed in note 33, convertible bonds disclosed in note 34, lease liabilities disclosed in note 30 and amounts due to non-controlling interests disclosed in note 27, net of cash and cash equivalent, and equity attributable to owners of the Group.

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

## 39. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at FVTPL | **1,392** | 8,253 |
| Financial assets at amortised cost | **406,026** | 217,303 |
| **Financial liabilities** | | |
| Financial liabilities at FVTPL | | |
| Consideration payable | **32,798** | 44,524 |
| Convertible bonds — derivative component net of the deferred Day-1 loss | **10,662** | – |
| Financial liabilities at amortised cost | **189,746** | 110,959 |

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

The Group's major financial instruments include trade and other receivables, amounts due from related companies and non-controlling interests, financial assets at FVTPL, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, amounts due to non-controlling interests, bonds payables, convertible bonds and consideration payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Market risk**

*(i) Currency risk*

Certain of the Group's bank balances, financial assets at FVTPL, trade and other receivables, amounts due from (to) non-controlling interests and a related company, trade and other payables, bank borrowings, bonds payables, lease liabilities, convertible bonds and consideration payable are denominated in foreign currencies other than the functional currency of the respective group entities, which expose the respective group entities to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2020 RMB'000** | 2019 RMB'000 | **2020 RMB'000** | 2019 RMB'000 |
| HK$ | **3,674** | 22,014 | **(165,429)** | (81,237) |
| USD | **12** | – | **–** | – |

Sensitivity analysis

The following table below details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against HK$ and USD as at 31 March 2020. 5% (2019: 5%) is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign exchange currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2019: 5%) change in foreign currency rates. A positive (negative) number below indicates a decrease (an increase) (2019: an increase (a decrease)) in post-tax loss (2019: post-tax profit) where RMB strengthen 5% (2019: 5%) against HK$ and USD. For a 5% (2019: 5%) weakening of RMB against HK$ and USD, there would be an equal and opposite impact on the profit or loss.

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| HK$ | **6,753** | 2,473 |
| USD | **(1)** | – |

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Market risk** (Continued)

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to lease liabilities, fixed-rate bank borrowings, bonds payables and convertible bonds related to liability component (see notes 30, 31, 33 and 34 for details). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on on-going basis and will consider hedging interest rate risk should the need arises.

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 50 basis points (2019: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss (2019: post-tax profit) for the year ended 31 March 2020 would have increased/decreased (2019: decrease/increase) by RMB45,000 (2019: RMB80,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

*(iii) Other price risk*

The Group is exposed to equity price risk through its investment in listed equity securities measured at FVTPL. The Group has appointed designated personnel to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the post-tax loss for the year ended 31 March 2020 would decrease/increase by RMB58,000 (2019: RMB325,000) as a result of the changes in fair value of investments at FVTPL.

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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

The Group's credit risk are primarily attributable to its trade receivables and contract assets. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets individually. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and forward-looking information that is reasonable and supportive. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

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

The Group has concentration of credit risk as 46.6% (2019: 25.2%) and 81.1% (2019: 78.6%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, the current business cooperation relationship, credit quality, the financial position of these customers as well as forward-looking information.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and trade receivables, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk and impairment assessment** (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables/ contract assets | Other financial assets |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL — not credit-impaired | 12m ECL |
| Fair risk | The aging of exposure slightly exceeds the credit term granted | Lifetime ECL — not credit-impaired | 12m ECL |
| Substandard | The aging of exposure exceeds the credit term granted and the risk of non-payment increases as the time period is longer than normal expected process | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Doubtful | There have been significant increases of credit risk since initial recognition | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Loss | Recovery of complete repayments may be difficult | Lifetime ECL — credit-impaired | Lifetime ECL — credit-impaired |
| Write-off | There is evidence indicating that the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk and impairment assessment** (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and other items which are subject to ECL assessment:

| | *Notes* | External credit rating | Internal credit rating | 12m or lifetime ECL | Gross carrying amount 2020 RMB'000 | Gross carrying amount 2019 RMB'000 |
|---|---|---|---|---|---|---|
| **Financial assets at amortised costs** | | | | | | |
| Trade receivables | *25* | N/A | (note b) | Lifetime ECL (not credit-impaired) | **332,775** | 155,895 |
| | | | | Loss (credit-impaired) | **5,440** | 130 |
| | | | | | **338,215** | 156,025 |
| Other receivables | *25* | N/A | (note a) | 12m ECL | **2,374** | 811 |
| Rental deposits | *25* | N/A | (note a) | 12m ECL | **1,407** | 1,441 |
| Amount due from a related company | *27* | N/A | (note a) | 12m ECL | **243** | 38 |
| Amounts due from non-controlling interests | *27* | N/A | (note a) | 12m ECL | **1,704** | 197 |
| Bank balances | *28* | AAA | N/A | 12m ECL | **69,178** | 61,684 |
| Pledged bank deposits | *28* | AAA | N/A | 12m ECL | **2,191** | – |
| **Other item** | | | | | | |
| Contract assets | *26* | N/A | (note b) | Lifetime ECL (not credit-impaired) | **11,789** | 12,256 |

*Notes:*

a. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. At 31 March 2020, these amounts are not past due.

b. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL on individual basis.

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk and impairment assessment** (Continued)

*Gross carrying amount*

| | **2020** | | |
|---|---|---|---|
| **Internal credit rating** | **Average loss rate** | **Trade receivables RMB'000** | **Contract assets RMB'000** |
| Low risk | **0.34%** | **272,399** | **11,396** |
| Fair risk | **2.69%** | **47,845** | **393** |
| Substandard | **8.77%** | **75** | **–** |
| Doubtful | **25.19%** | **12,456** | **–** |
| Loss | **69.73%** | **5,440** | **–** |
| | | **338,215** | **11,789** |

| | 2019 | | |
|---|---|---|---|
| Internal credit rating | Average loss rate | Trade receivables RMB'000 | Contract assets RMB'000 |
| Low risk | 0.32% | 147,185 | 12,140 |
| Fair risk | 2.23% | 1,774 | – |
| Substandard | 8.62% | 5,873 | 116 |
| Doubtful | 24.42% | 1,063 | – |
| Loss | 100.00% | 130 | – |
| | | 156,025 | 12,256 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The credit rating is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2020, the Group has recognised RMB7,744,000 (2019: reversed RMB223,000) impairment allowance for trade receivables, based on individual assessments. Within that amount is an impairment allowance of RMB3,204,000 (2019: RMB27,000) for credit-impaired debtors.

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk and impairment assessment** (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| As at 1 April 2018 | 1,626 | – | 1,626 |
| Changes due to financial instruments recognised as at 1 April | | | |
| — Transfer to credit-impaired | (103) | 103 | – |
| — Impairment losses (reversed) recognised | (623) | 27 | (596) |
| New financial assets originated | 373 | – | 373 |
| As at 31 March 2019 | 1,273 | 130 | 1,403 |
| Changes due to financial instruments recognised as at 1 April | | | |
| — Transfer to credit-impaired | **(459)** | **459** | **–** |
| — Impairment losses recognised | **2,489** | **3,204** | **5,693** |
| New financial assets originated | **2,051** | **–** | **2,051** |
| As at 31 March 2020 | **5,354** | **3,793** | **9,147** |

Changes in the loss allowance for trade receivables are mainly due to:

| | **2020 Increase/(decrease) in lifetime ECL** | | 2019 Increase/(decrease) in lifetime ECL | |
|---|---|---|---|---|
| | **Not credit-impaired RMB'000** | **Credit-impaired RMB'000** | Not credit-impaired RMB'000 | Credit-impaired RMB'000 |
| Several trade debtors with gross carrying amounts of RMB5,310,000 (2019: RMB130,000) defaulted and transferred to credit-impaired | **(459)** | **3,663** | (103) | 130 |
| Several trade debtors with gross carrying amounts of RMB12,252,000 (2019: RMB1,008,000) graded as doubtful | **2,922** | **–** | 205 | – |
| New trade receivables with gross carrying amount of RMB314,295,000 (2019: RMB149,912,000) | **2,051** | **–** | 373 | – |

## 39. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk and impairment assessment** (Continued)
During the year ended 31 March 2020, the Group provided RMB14,000 (2019: RMB10,000), RMB8,000 (2019: RMB12,000) and RMB48,000 (2019: RMB29,000) impairment allowance for rental deposits, contract assets and other receivables respectively, based on individual assessments. As at 31 March 2020, the accumulated loss allowance for rental deposits, contract assets and other receivables amounted to RMB42,000 (2019: RMB28,000), RMB49,000 (2019: RMB41,000) and RMB97,000 (2019: RMB49,000), respectively.

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

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

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

*Liquidity and interest risk table*

| | Weighted average effective interest % | On demand or less than 1 months RMB'000 | Within 1 to 3 months RMB'000 | Within 3 months to 1 year RMB'000 | Over 1 year RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| **31 March 2020** | | | | | | | |
| Trade and other payables | – | 44,601 | – | – | – | 44,601 | 44,601 |
| Bank borrowings | | | | | | | |
| — floating rate | 7.44 | – | 1,987 | 7,978 | 1,270 | 11,235 | 10,752 |
| — fixed rate | 7.57 | – | 6,497 | 4,041 | – | 10,538 | 10,302 |
| Bonds payables | 13.00 | – | – | 39,908 | 39,055 | 78,963 | 66,639 |
| Amounts due to non-controlling interests | – | 9,869 | – | – | – | 9,869 | 9,869 |
| Convertible bonds | | | | | | | |
| — liability component | 7.12 | – | – | – | 56,031 | 56,031 | 47,583 |
| | | 54,470 | 8,484 | 51,927 | 96,356 | 211,237 | 189,746 |
| Lease liabilities | 7.00 | 357 | 1,010 | 4,374 | 3,788 | 9,529 | 8,907 |
| **31 March 2019** | | | | | | | |
| Trade and other payables | – | 44,919 | – | – | – | 44,919 | 44,919 |
| Bank borrowings | | | | | | | |
| — floating rate | 6.91 | – | 610 | 18,707 | – | 19,317 | 18,800 |
| — fixed rate | 9.06 | – | 6,131 | 257 | 645 | 7,033 | 6,832 |
| Bonds payables | 7.00 | – | – | – | 34,655 | 34,655 | 26,727 |
| Amounts due to non-controlling interests | – | 13,681 | – | – | – | 13,681 | 13,681 |
| | | 58,600 | 6,741 | 18,964 | 35,300 | 119,605 | 110,959 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The management of the Company engaged an independent qualified professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

**Fair value hierarchy as at 31 March 2020**

| | Level 1<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| **Financial assets at FVTPL** | | | |
| Listed equity securities | **1,392** | **–** | **1,392** |
| **Financial liabilities at FVTPL** | | | |
| Convertible bonds — derivative components net of the deferred Day-1 loss | **–** | **10,662** | **10,662** |
| Consideration payable | **–** | **32,798** | **32,798** |

**Fair value hierarchy as at 31 March 2019**

| | Level 1<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| **Financial assets at FVTPL** | | | |
| Convertible bonds | – | 460 | 460 |
| Listed equity securities | 7,793 | – | 7,793 |
| **Financial liabilities at FVTPL** | | | |
| Consideration payable | – | 44,524 | 44,524 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements (Continued)

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value as at 31 March 2020 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Convertible bonds | RMB: nil (2019: RMB460,000) | Level 3 | Discounted cash flow method | Expected volatility *(note 1)* |
| Listed equity securities | RMB1,392,000 (2019: RMB7,793,000) | Level 1 | Quoted bid prices in an active market | N/A |
| **Financial liabilities** | | | | |
| Convertible bonds — derivative component net of the deferred Day-1 loss | RMB10,662,000 (2019: nil) | Level 3 | Binomial Option Pricing model, the key input are Time-to-maturity, underlying share price, conversion price, coupon rate, expected volatility, risk-free rate, discount rate, expected dividend yield *(note 3)* | Expected volatility of share price *(note 3)* |
| Consideration payable | RMB32,798,000 (2019: RMB44,524,000) | Level 3 | Quoted bid prices of HK$2.19 per share (2019: HK$1.90) in an active market, reduced by expected shortfall of actual profits of nil (2019: nil) of Bright Leap against guaranteed profits | Probability-adjusted profits as detailed in note 36 *(note 2)* |

*Notes:*

1. A slight increase in the expected volatility would not result in a significant increase in the fair value measurement of the convertible bonds, and vice versa.

2. A significant decrease in the probability-adjusted profits used in isolation would result in a significant decrease in the fair value measurement of the consideration payable. A 10% decrease in the probability-adjusted profits holding all other variables constant would decrease the carrying amount of the consideration payable by RMB1,265,000 (2019: RMB405,000).

3. As at 31 March 2020, if the expected volatility of share price of comparable companies was 5% higher/lower and the other variables were held constant, the derivative component of convertible bonds would increase/decrease by RMB1,474,000/RMB1,343,000 (2019: N/A), respectively. The key inputs used in calculation of the fair values of convertible bonds are as follows:

| | CB I | | CB II | |
|---|---|---|---|---|
| | 3 April 2019 | **31 March 2020** | 10 July 2019 | **31 March 2020** |
| Time-to-maturity | 3.0 years | **2.0 years** | 3.0 years | **2.3 years** |
| Underlying share price | HK$1.93 | **HK$2.19** | HK$1.63 | **HK$2.19** |
| Conversion price | HK$1.60 | **HK$1.60** | HK$1.73 | **HK$1.73** |
| Coupon rate | 7.5% | **7.5%** | 7.5% | **7.5%** |
| Expected volatility | 53.6% | **47.5%** | 52.4% | **46.2%** |
| Risk-free rate | 1.6% | **0.6%** | 1.7% | **0.6%** |
| Discount rate | 6.4% | **10.8%** | 6.5% | **10.8%** |
| Expected dividend yield | 0.0% | **0.0%** | 0.0% | **0.0%** |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements (Continued)

#### (ii) Reconciliation of Level 3 fair value measurements

| | Asset Convertible bonds RMB'000 |
|---|---|
| 1 April 2018 | – |
| Purchases | 443 |
| Change in fair value | 17 |
| 31 March 2019 | 460 |
| Disposal | (460) |
| 31 March 2020 | **–** |

| | Liabilities Convertible bonds | |
|---|---|---|
| | Derivative component RMB'000 | Day-1 Loss RMB'000 |
| 1 April 2018 and 1 April 2019 | – | – |
| Upon issue of convertible bonds | 17,695 | (17,695) |
| Recognition of deferred Day-1 loss in profit or loss | – | 6,289 |
| Conversion to shares | (1,282) | – |
| Change in fair value | 4,637 | – |
| Exchange realignment | 1,803 | (785) |
| 31 March 2020 | **22,853** | **(12,191)** |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements (Continued)

#### (ii) Reconciliation of Level 3 fair value measurements (Continued)

| | Liabilities Consideration payable RMB'000 |
|---|---|
| 1 April 2018 | – |
| Addition | 40,375 |
| Change in fair value | 4,149 |
| 31 March 2019 | 44,524 |
| Shares issued | (15,720) |
| Change in fair value *(note)* | 3,994 |
| 31 March 2020 | **32,798** |

*Note:* Of the total change in fair value for the period included in profit or loss, RMB6,084,000 (2019: RMB4,149,000) relates to unrealised fair value losses on the outstanding consideration payable at the end of the reporting period. Fair value changes on consideration payable are included in "other gains and losses".

There were no transfers into or out of Level 1, 2 and 3 during this year.

#### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

## 40. PLEDGE OF OR RESTRICTIONS ON ASSETS

### Pledge of assets

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure the bank borrowing are as follows:

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Bank deposits | **2,191** | – |
| Investment properties | **20,100** | 20,500 |
| | **22,291** | 20,500 |

### Restrictions on assets

In addition, lease liabilities of approximately HK$8,907,000 are recognised with related right-of-use assets of approximately HK$8,696,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Accrued issue costs RMB'000 | Bank borrowings RMB'000 | Bond payables RMB'000 | Lease liabilities RMB'000 | Convertible bonds RMB'000 | Amounts due to non-controlling interests RMB'000 | Amount due to a third party RMB'000 | Interest payables RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2018 | 77 | 6,500 | – | – | – | – | – | – | 6,577 |
| Financing cash flows *(note)* | (77) | 17,534 | 26,789 | – | – | 656 | – | – | 44,902 |
| Finance costs recognised | – | 1,598 | 488 | – | – | – | – | 716 | 2,802 |
| Exchange realignment | – | – | (550) | – | – | – | – | – | (550) |
| Acquisition of subsidiaries | – | – | – | – | – | 13,025 | 741 | – | 13,766 |
| At 31 March 2019 | – | 25,632 | 26,727 | – | – | 13,681 | 741 | 716 | 67,497 |
| Adjustment upon application of HKFRS 16 | – | – | – | 4,466 | – | – | – | – | 4,466 |
| At 1 April 2019 | – | 25,632 | 26,727 | 4,466 | – | 13,681 | 741 | 716 | 71,963 |
| Financing cash flows *(note)* | – | (4,578) | 35,058 | (3,170) | 45,447 | (3,812) | – | (3,992) | 64,953 |
| Finance costs recognised | – | – | 2,351 | 382 | 2,749 | – | – | 4,871 | 10,353 |
| New lease contracts | – | – | – | 7,187 | – | – | – | – | 7,187 |
| Lease modified | – | – | – | (161) | – | – | – | – | (161) |
| Changes in fair value | – | – | – | – | 4,637 | – | – | – | 4,637 |
| Exchange realignment | – | – | 2,503 | 203 | 3,367 | – | – | – | 6,073 |
| Recognition of deferred loss from initial recognition of convertible bonds | – | – | – | – | 6,289 | – | – | – | 6,289 |
| Transaction costs related to issuance of convertible bonds — derivative component | – | – | – | – | 313 | – | – | – | 313 |
| Conversion to shares | – | – | – | – | (4,557) | – | – | – | (4,557) |
| At 31 March 2020 | **–** | **21,054** | **66,639** | **8,907** | **58,245** | **9,869** | **741** | **1,595** | **167,050** |

*Note:* The cash flows represent (i) the proceeds from and repayment of bank borrowings and related interest paid, (ii) the proceeds from bond payables and convertible bonds, net of payment of issue costs, (iii) the payment to non-controlling interests, and (iv) repayments of leases liabilities

## 42. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties from 2 years to 3 years. On the lease commencement, the Group recognised RMB7,187,000 of right-of-use asset and RMB7,187,000 lease liability.

During the year, there were reduction to right-of-use assets of RMB161,000 and lease liabilities of RMB161,000 due to certain contracts were modified.

## 43. SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Scheme**") pursuant to a resolution passed by its shareholders on 6 December 2017, for the primary purpose of providing incentives or rewards to eligible employees (including the executive, non-executive and independent non-executive directors of the Company) and other selected participants. The adoption of the Scheme became unconditional upon the listing of the Company on 6 December 2017 and refreshed on 26 September 2018.

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

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

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

## 43. SHARE OPTION SCHEME (Continued)

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

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2019 | During the period: Granted | During the period: Exercised | During the period: Cancelled | During the period: Lapsed | Outstanding as at 31 March 2020 | Vesting period of shares 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 | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | 1,600,000 | – | – | – | – | **1,600,000** | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,600,000 | – | – | – | – | **1,600,000** | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,600,000 | – | – | – | – | **1,600,000** | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Lai | 17 May 2019 | – | 6,000,000 | – | – | – | **6,000,000** | Vested immediately on the date of grant | 17 May 2019 to 16 February 2022 | 1.600 | 1.78 |
| Mr. Lai | 17 May 2019 | – | 6,000,000 | – | – | – | **6,000,000** | 17 May 2019 to 16 February 2020 | 17 February 2020 to 16 February 2022 | 1.600 | 1.78 |
| Mr. Lai | 17 May 2019 | – | 8,000,000 | – | – | – | **8,000,000** | 17 May 2019 to 16 February 2021 | 17 February 2021 to 16 February 2022 | 1.600 | 1.78 |
| Ms. Cheng | 15 October 2019 | – | 6,000,000 | – | – | – | **6,000,000** | 15 October 2019 to 6 August 2020 | 7 August 2020 to 6 August 2023 | 1.600 | 2.00 |
| Ms. Cheng | 15 October 2019 | – | 6,000,000 | – | – | – | **6,000,000** | 15 October 2019 to 6 August 2021 | 7 August 2021 to 6 August 2023 | 1.600 | 2.00 |
| Ms. Cheng | 15 October 2019 | – | 8,000,000 | – | – | – | **8,000,000** | 15 October 2019 to 6 August 2022 | 7 August 2022 to 6 August 2023 | 1.600 | 2.00 |

## 43. SHARE OPTION SCHEME (Continued)

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2019 | During the period: Granted | During the period: Exercised | During the period: Cancelled | During the period: Lapsed | Outstanding as at 31 March 2020 | Vesting period of shares options | Exercisable period of shares options | Exercise price per share HK$ | Closing price per share immediately before the date of grant HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consulting firm** | | | | | | | | | | | |
| Chatwin Capital Service Limited | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Chatwin Capital Service Limited | 29 June 2018 | 1,200,000 | – | – | – | – | **1,200,000** | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Chatwin Capital Service Limited | 29 June 2018 | 1,600,000 | – | – | – | – | **1,600,000** | 29 June 2018 to 28 June 2020 | 29 June 2020 to 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 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | 7,200,000 | – | – | – | – | **7,200,000** | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | 9,600,000 | – | – | – | – | **9,600,000** | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| | | 40,000,000 | 40,000,000 | – | – | – | **80,000,000** | | | | |
| **Exercisable at the end of the year** | | | | | | | **36,000,000** | | | | |
| Weighted average exercise price | | 1.61 | | | | | **1.61** | | | | |

## 43. SHARE OPTION SCHEME (Continued)

Details of the share options granted and outstanding during the prior year were:

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2018 | During the period: Granted | During the period: Exercised | During the period: Cancelled | During the period: Lapsed | Outstanding as at 31 March 2019 | Vesting period of shares 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 | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | – | 1,600,000 | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | – | 1,600,000 | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | – | 1,600,000 | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| **Consulting firm** | | | | | | | | | | | |
| Chatwin Capital Service Limited | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Chatwin Capital Service Limited | 29 June 2018 | – | 1,200,000 | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Chatwin Capital Service Limited | 29 June 2018 | – | 1,600,000 | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 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 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | – | 7,200,000 | – | – | – | 7,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | – | 9,600,000 | – | – | – | 9,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| | | – | 40,000,000 | – | – | – | 40,000,000 | | | | |
| **Exercisable at the end of the year** | | | | | | | 12,000,000 | | | | |
| Weighted average exercise price | | | | | | | 1.61 | | | | |

## 43. SHARE OPTION SCHEME (Continued)

During the year ended 31 March 2020, options were granted on 17 May and 15 October. The estimated fair values of the options granted on those dates are HK$13,543,000 and HK$18,407,000 respectively, equivalent to RMB11,880,000 and RMB16,591,000 respectively. During the year ended 31 March 2019, options were granted on 29 June 2018. The fair value of the options granted to directors and employees and to the consulting firm at the date of grant were HK$23,196,000 and HK$2,577,000 respectively, equivalent to RMB19,557,000 and RMB2,173,000 respectively. Vesting period of share options granted to the consulting firm is by reference to the service rendered/to be rendered by the consulting firm.

The Group recognised the expense of RMB20,882,000 for the year ended 31 March 2020 (2019: RMB14,668,000) 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.

Other than as disclosed above, at no time during the year 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**")).

The Binomial Option Pricing model has been used to estimate the fair value of the options granted to directors and 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 fair value of the options granted to service providers was determined by reference to the fair value of the services received by the Group.

The following assumptions were used in the Binomial Option Pricing model to calculate the fair values of share options granted to directors and employees:

| | 15 October 2019 | 17 May 2019 | 29 June 2018 |
|---|---|---|---|
| Grant date share price | HK$2.00 | HK$1.78 | HK$1.60 |
| Exercise price | HK$1.60 | HK$1.60 | HK$1.61 |
| Expected life | 3.8 years | 2.8 years | 3.0 years |
| Expected volatility | 50.85% | 51.98% | 61.57% |
| Dividend yield | 0% | 0% | 0% |
| Risk-free interest rate | 1.49% | 1.65% | 1.95% |

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.

## 44. RETIREMENT BENEFIT SCHEMES

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

During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to RMB2,309,000 (2019: RMB1,999,000) for the year ended 31 March 2020.

## 45. RELATED PARTY DISCLOSURES

### (a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in note 27.

### (b) Related party transactions

During the year, the Group entered into the following transactions with a related company, which is controlled by Mr. Lai, the Controlling Shareholder.

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Short term lease paid to Emax | **117** | 228 |

### (c) Guarantee

As at 31 March 2020, the Group's bank borrowings amounting to RMB6,762,000 were personally guaranteed by Mr. Lai and an amount of RMB6,500,000 were guaranteed by Mr. Lai and his close family member.

As at 31 March 2020, the Group's bank borrowings amounting to RMB1,890,000 were personally guaranteed by Mr. Ke, the non-controlling shareholder, with his personal property.

## 45. RELATED PARTY DISCLOSURES (Continued)

### (d) Compensation of key management personnel

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

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Fee | **3,808** | 2,658 |
| Salaries and other allowances | **7,718** | 4,061 |
| Retirement benefit scheme contributions | **242** | 443 |
| Equity-settled share-based payments | **18,492** | 8,802 |
| | **30,260** | 15,964 |

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

## 46. PARTICULARS OF SUBSIDIARIES

| Name of subsidiaries | Date and place of incorporation/ establishment/ operation | Issued and fully paid share capital/ registered capital | Effective interest attributable to the Group Directly 2020 | Directly 2019 | Indirectly 2020 | Indirectly 2019 | Principal activities |
|---|---|---|---|---|---|---|---|
| Abacus | 17 April 2000 Hong Kong | HK$6,000,000 | **–** | – | **100%** | 100% | Sales of intelligent terminal products, provision of system maintenance services and development of customised softwares |
| Action First[1] | 28 July 2015 BVI/Hong Kong | US$10,000 | **100%** | 100% | **–** | – | Investment holding |
| Bright Leap | 7 April 2018 BVI/Hong Kong | US$50,000 | **–** | – | **51.73%** | 51.73% | Investment holding |
| 天昕有限公司 (Celestial Aurora Limited) | 28 January 2019 BVI/Hong Kong | US$10,000 | **–** | – | **70%** | 70% | Investment holding |
| 中裕集團有限公司 (Central Wealth Holdings Limited) | 20 April 2018 Hong Kong | HK$10,000 | **–** | – | **100%** | 100% | Investment holding |
| 創京有限公司 (Creation Chain Limited) | 9 November 2018 BVI/Hong Kong | HK$1 | **–** | – | **54.25%** | 54.25% | Investment holding |
| 科銳有限公司 (Cyber Sharp Limited) | 30 June 2016 Hong Kong | HK$1 | **–** | – | **100%** | 100% | Investment holding |
| 深圳市艾伯數字有限公司 | 4 August 2015 The PRC[3] | RMB10,000,000[4] | **–** | – | **51%** | 51% | Inactive |
| 湖南盈鼎網路有限公司 (Hunan Yingding Network Company Limited)[6] | 28 September 2016 The PRC[3] | RMB2,000,000 | **–** | – | **33.62%** | 33.62% | Inactive |
| IBO Information | 13 December 2000 The PRC[2] | HK$28,000,000 | **–** | – | **100%** | 100% | Sales of intelligent terminal products, provision of coordination, management and installation services of smart city, provision of system maintenance services and development of customised softwares |
| 深圳市艾伯信息科技有限公司 | 1 November 2016 The PRC[3] | RMB20,000,000[5] | **–** | – | **100%** | 100% | Collection, process and storage of data, text and graphics |
| IBO Holdings[1] | 13 May 2016 BVI/Hong Kong | United States dollar 1 ("**US$1**") | **100%** | 100% | **–** | – | Investment holding |

## 46. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Date and place of incorporation/ establishment/ operation | Issued and fully paid share capital/ registered capital | Effective interest attributable to the Group Directly 2020 | Directly 2019 | Indirectly 2020 | Indirectly 2019 | Principal activities |
|---|---|---|---|---|---|---|---|
| 艾伯智能有限公司 (IBO Intelligent Company Limited) | 4 May 2018 Hong Kong | HK$10,000 | **–** | – | **100%** | 100% | Investment holding |
| 江西方宇運維網路科技有限公司 (Jiangxi Fangyu Yunwei Network Technology Company Limited) [6] | 27 June 2017 The PRC[3] | RMB2,000,000 | **–** | – | **33.62%** | 33.62% | Inactive |
| 駿新有限公司 (Jun Sin Limited) | 8 October 2018 BVI/Hong Kong | US$50,000 | **–** | – | **100%** | 100% | Investment holding |
| 源泉有限公司 (Rise Mark Corporation Limited) | 22 June 2018 Hong Kong | HK$1 | **–** | – | **51.73%** | 51.73% | Investment holding |
| 艾伯智能(深圳)有限公司 (Shenzhen IBO Intelligent Company Limited) | 13 March 2019 The PRC[3] | RMB20,000,000[7] | **–** | – | **100%** | 100% | Investment holding |
| Weitu Technology | 18 March 2004 The PRC[3] | RMB6,000,000 | **–** | – | **51.73%** | 51.73% | Provision of system maintenance services and development of customised softwares |
| 深圳市運維網路有限公司 (Shenzhen Yunwei Network Company Limited ("**Yunwei Network**") | 1 March 2016 The PRC[3] | RMB1,261,905 | **–** | – | **51.73%** | 51.73% | Provision of system maintenance services and development of customised softwares |
| 漢成控股有限公司 (Sino Achiever Holdings Limited) | 28 November 2018 BVI/Hong Kong | US$1 | **–** | – | **54.25%** | 54.25% | Investment holding |
| 成悦控股有限公司 (Successful Joy Holdings Limited) [1] | 15 November 2018 BVI/Hong Kong | US$1 | **100%** | 100% | **–** | – | Investment holding |
| Upright Joy[1] | 8 July 2015 BVI/Hong Kong | US$10,000 | **100%** | 100% | **–** | – | Investment holding |
| 正輝有限公司 (Wonderful Splendor Limited) [1] ("**Wonderful Splendor**") | 25 January 2019 BVI/Hong Kong | US$10,000 | **100%** | 100% | **–** | – | Investment holding |
| 喜欣國際有限公司 (Jovial Ideal International Limited) [1] | 29 May 2019 BVI/Hong Kong | US$1 | **100%** | – | **–** | – | Investment holding |
| 深圳市艾伯通信有限公司 | 9 August 2019 The PRC[3] | RMB60,000,000[8] | **–** | – | **51%** | – | Provision of coordination management and installation services of smart city |

## 46. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Date and place of incorporation/ establishment/ operation | Issued and fully paid share capital/ registered capital | Effective interest attributable to the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | | Indirectly | | |
| | | | 2020 | 2019 | 2020 | 2019 | |
| 艾伯通信有限公司 (IBO Telecom Company Limited) | 15 August 2019 Hong Kong | HK$100,000 | – | – | 51% | – | Investment holding |
| 深圳市艾伯供應鏈科技有限公司 | 16 Jan 2020 The PRC[3] | RMB20,000,000[9] | – | – | 100% | – | Inactive |

1 Directly held by the Company.

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

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

4 The registered capital of 深圳市艾伯數字有限公司 is RMB10 million but only RMB1 million was paid by the Group up to the date of the issuance of the financial statements.

5 The registered capital of 深圳市艾伯信息科技有限公司 are RMB20 million but nil were paid at the date of the issuance of the financial statements.

6 The Group indirectly controlled these companies through Yunwei Network, which has 65% ownership interest and voting rights in these companies.

7 The registered capital of 艾伯智能（深圳）有限公司 are RMB60 million but nil were paid at the date of the issuance of the financial statements.

8 The registered capital of 深圳市艾伯通信有限公司 are RMB60 million but nil were paid at the date of the issuance of the financial statements.

9 The registered capital of 深圳市艾伯供應鏈科技有限公司 are RMB20 million but nil were paid at the date of the issuance of the financial statements.

None of the subsidiaries had issued any debt securities at the end of the year.

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of Incorporation and principal place of business | Proportion of ownership interests and voting held by non-controlling interest | | Profit (loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2019.04.01 to 2020.03.31 RMB'000 | 2019.01.24 to 2019.03.31 RMB'000 | 2020.03.31 RMB'000 | 2019.03.31 RMB'000 |
| Bright Leap Group | BVI/The PRC | 48.27% | 48.27% | 4,549 | 1,013 | 34,774 | 30,226 |
| Individually immaterial subsidiaries with non-controlling interests | | – | – | (1,734) | (24) | (1,757) | (24) |
| | | | | 2,815 | 989 | 33,017 | 30,202 |

## 46. PARTICULARS OF SUBSIDIARIES (Continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of Bright Leap Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### Bright Leap Group

| | At 31 March 2020 RMB'000 | At 31 March 2019 RMB'000 |
|---|---|---|
| Current assets | **51,946** | 26,312 |
| Non-current assets | **55,499** | 67,310 |
| Current liabilities | **(21,725)** | (15,334) |
| Non-current liabilities | **(13,676)** | (15,667) |
| Equity attributable to owners of the Company | **37,270** | 32,395 |
| Non-controlling interests | **34,774** | 30,226 |

| | 2019.04.01 to 2020.03.31 RMB'000 | 2019.01.24 to 2019.03.31 RMB'000 |
|---|---|---|
| Revenue | **40,579** | 12,101 |
| Profit and total comprehensive income for the year/period | **9,424** | 2,099 |
| Profit and total comprehensive income for the year/period, | | |
| attributable to owners of the Company | **4,875** | 1,086 |
| attributable to non-controlling interests | **4,549** | 1,013 |
| | **9,424** | 2,099 |
| Net cash (outflow) inflow from operating activities | **(459)** | 5,359 |
| Net cash outflow from investing activities | **(3,674)** | (99) |
| Net cash (outflow) inflow from financing activities | **(1,922)** | 656 |
| Net cash (outflow) inflow | **(6,055)** | 5,916 |

## 47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Investments in subsidiaries | **160,941** | 160,941 |
| Amounts due from subsidiaries | **26,000** | – |
| | **186,941** | 160,941 |
| **Current assets** | | |
| Amounts due from subsidiaries | **82,035** | – |
| Bank balances and cash | **259** | 9,379 |
| | **82,294** | 9,379 |
| **Current liabilities** | | |
| Other payables | **5,036** | 2,136 |
| Bonds payables | **35,538** | – |
| Amounts due to subsidiaries | **11,550** | 2,851 |
| | **52,124** | 4,987 |
| **Net current assets** | **30,170** | 4,392 |
| **Total assets less current liabilities** | **217,111** | 165,333 |
| **Non-current liabilities** | | |
| Bonds payables | **31,101** | 26,727 |
| Convertible bonds | **58,245** | – |
| | **89,346** | 26,727 |
| **Net Assets** | **127,765** | 138,606 |
| **Capital and reserves** | | |
| Share capital | **3,467** | 3,349 |
| Reserves | **124,298** | 135,257 |
| **Total equity** | **127,765** | 138,606 |

## 47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

### Movement in the Company's reserves:

| | Share premium RMB'000 | Merger reserve RMB'000 *(note)* | Share option reserve RMB'000 | Retained profits (accumulated loss) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 April 2018 | 158,165 | (43,325) | – | 18,197 | 133,037 |
| Loss and other comprehensive expense for the year | – | – | – | (12,448) | (12,448) |
| Recognition of equity-settled share based payments | – | – | 14,668 | – | 14,668 |
| At 31 March 2019 | 158,165 | (43,325) | 14,668 | 5,749 | 135,257 |
| Loss and other comprehensive expense for the year | – | – | – | (52,000) | (52,000) |
| Issue of shares related to previous acquisition | 15,621 | – | – | – | 15,621 |
| Issue of shares by the conversion of convertible bonds | 4,538 | – | – | – | 4,538 |
| Recognition of equity-settled share based payments | – | – | 20,882 | – | 20,882 |
| At 31 March 2020 | **178,324** | **(43,325)** | **35,550** | **(46,251)** | **124,298** |

*Note:* Merger reserve represented the difference between the share capital of Abacus, which was transferred from Shine Well to IBO Holdings pursuant to the reorganisation as set out on the prospectus dated 14 December 2017, and share capital and share premium of IBO Holdings.

## 48. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement dated 25 May 2020, Ms. Cheng has resigned as an executive director and vice chairperson of the Company with effect from 25 May 2020. References are made to the announcements of the Company dated 7 August 2019 and 15 October 2019 and the circular of the Company dated 17 September 2019, in relation to the grant of 20,000,000 share options (the "**Share Options**") to Ms. Cheng to subscribe for up to 20,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the exercise price of HK$1.6 pursuant to the Scheme. The board of the Company announces that with the approval by the board of the Company and the consent by Ms. Cheng, the Share Options have been cancelled with effect from the date of 25 May 2020.

# FIVE YEARS FINANCIAL SUMMARY

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **487,756** | 298,916 | 212,700 | 103,893 | 56,934 |
| Cost of sales and services rendered | **(374,453)** | (197,613) | (126,480) | (50,313) | (22,697) |
| Gross profit | **113,303** | 101,303 | 86,220 | 53,580 | 34,237 |
| Other income | **4,514** | 5,675 | 5,522 | 3,715 | 8,127 |
| Other expenses | **–** | – | (2,552) | (77) | (905) |
| Other gains and losses | **(56,214)** | 3,677 | (4,032) | 241 | 3,166 |
| Share of loss of an associate | **(226)** | – | – | – | – |
| Impairment losses under expected credit loss model, net of reversal | **(7,814)** | 172 | – | – | – |
| Distribution and selling expenses | **(5,543)** | (3,123) | (1,698) | (1,055) | (858) |
| Administrative expenses | **(71,879)** | (52,577) | (15,719) | (7,826) | (6,230) |
| Finance costs | **(10,353)** | (2,802) | (1,868) | (2,770) | (4,892) |
| Research and development expenses | **(3,856)** | (5,321) | (2,005) | (544) | (796) |
| Listing expenses | **–** | – | (15,431) | (6,984) | – |
| (Loss) profit before taxation | **(38,068)** | 47,004 | 48,437 | 38,280 | 31,849 |
| Income tax expense | **(12,072)** | (12,064) | (12,961) | (8,835) | (6,973) |
| (Loss) profit and total comprehensive (expense) income for the year | **(50,140)** | 34,940 | 35,476 | 29,445 | 24,876 |
| (Loss) profit and total comprehensive (expense) income for the year attributable to | | | | | |
| — Owners of the Company | **(52,955)** | 33,951 | 35,476 | 29,445 | 24,876 |
| — Non-controlling interests | **2,815** | 989 | – | – | – |
| | **(50,140)** | 34,940 | 35,476 | 29,445 | 24,876 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **629,856** | 515,977 | 293,723 | 143,671 | 153,602 |
| Total liabilities | **(347,136)** | (224,276) | (79,404) | (78,258) | (81,953) |
| **Net assets** | **282,720** | 291,701 | 214,319 | 65,413 | 71,649 |
| Total equity attributable to owners of the Company | **249,703** | 261,499 | 214,319 | 65,413 | 71,649 |
| Non-controlling interests | **33,017** | 30,202 | – | – | – |
| **Total equity** | **282,720** | 291,701 | 214,319 | 65,413 | 71,649 |

# DEFINITIONS

In this report, unless the context otherwise requires, the following expressions 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 (Stock Code: 2708) |
| "Company's Code" | a code of conduct regarding Directors' transactions in securities of the Company |
| "Consideration Share(s)" | up to 27,318,773 new Shares to be allotted and issued to Wisdom Galore at the Issue Price under the General Mandate, the number of which shall be adjusted according to the terms of the sale and purchase agreement, details are set out in the announcements of the Company dated 13 and 21 September 2018 |
| "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 |
| "General Mandate" | the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting on 27 August 2018 to allot and issue up to 80,000,000 Shares, representing 20% of the total number of Shares in issue as at the date of passing such resolution |
| "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 Communication" | Shenzhen IBO Communication Company Limited* (深圳市艾伯通信有限公司), a company established in the PRC with limited liability, which is an indirect subsidiary of the Company |
| "IBO Information" | IBO Information (Shenzhen) Limited* (艾伯資訊(深圳)有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company |
| "IBO Information Technology" | IBO Shenzhen Information Technology Limited* (深圳市艾伯信息科技有限公司), a company established in the PRC with limited liability, which is an indirect subsidiary of the Company |
| "IBO Digital" | IBO Shenzhen Digital Limited* (深圳市艾伯數字有限公司), a company established in the PRC with limited liability, which is an indirect subsidiary of the Company |

* *For identification purpose only*

| | |
|---|---|
| "Issue Price" | HK$2.0, being the issue price per Consideration Share |
| "Listing" | the listing of the Shares on the Main Board on 28 December 2017 |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Main Board |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM 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 announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan Region |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "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 |
| "Takeovers Code" | The Code on Takeovers and Mergers published by The Securities and Futures Commission of Hong Kong |
| "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*

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