

ibotech 艾伯科技

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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2708



2020/2021
Interim Report

CORPORATE PROFILE

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



CONTENTS

Corporate Information	2
Chairman's Statement	4
Financial Highlights	6
Management Discussion and Analysis	7
Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	28
Other Information	43
Definitions	49



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

Non-Executive Director

Ms. Sun Qing

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

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

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

CORPORATE INFORMATION

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 353 Lockhart Road Wanchai Hong Kong
Tel	(852) 2308 1266
Fax	(852) 2789 4532

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce the unaudited interim results of the Group for the six months ended 30 September 2020 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2019.

The Group's revenue for the Period decreased by 22.3% from approximately RMB245.41 million of the corresponding period of 2019 to approximately RMB190.67 million, which was mainly because the intelligent terminal products sales business, system integration business, software development business and system maintenance services business contracted due to the impact of the COVID-19 pandemic on the China's economy, representing a year-on-year decrease of approximately 15.4%, 69.6%, 53.0% and 20.6%, respectively. During the Period, the Group relied on the country's high priority on 5G “new infrastructure” as well as the central and local governments' focus on the intelligent products under their active construction with a core concept of adhering to technology leadership and product innovation. The Group is committed to continuously launching its leading intelligent terminal products, providing integrated and customized system solutions, software development and system maintenance as well as providing 5G and IoT solutions to three major telecommunication operators and government and enterprise customers in the PRC.

2020 is the end of the “13th Five-Year Plan” and also a foundation year for a new journey of national development regarding the “14th Five-Year Plan”. With domestic cyclic economy as its basis, under the direction for new development pattern in terms of domestic and international cyclic economies, the combination of the China's effort to its policies and strong government support has brought a promising industry prospect for the “14th Five-Year Plan”. Leveraging on its experience in the technological research and development sector for more than 20 years, the Group contributes to build up a global technology powerhouse by improving the technology continuously, actively developing new era technology products and expanding the technology market. During the pandemic, the Group has been constantly innovating its research philosophy and persisting in expanding 5G market, and successfully signed agency cooperation agreements with certain wholly-owned subsidiaries of China's operators to sell 5G research products independently developed by the Group. During the trial period, the products were highly appreciated by the customers for its good compatibility, high frequency and low cost, which are the preferred solutions of 5G construction at the current stage and are recommended to carry out extensive promotions.

With the official launch of 5G commercialization, telecommunication operators have commenced large-scale 5G constructions and market demand has been gradually increasing. At the end of October 2020, the Ministry of Industry and Information Technology stated that it is actively considering the inclusion of key fields, including 5G and integrated circuits, in the China's specific planning of the “14th Five-Year Plan” at the third meeting of the 13th National Committee, so as to strongly support the construction of a modern economic system and achieve high-quality economic development by guiding enterprises to break through core technologies and strengthening international cooperations in the field of technology. With the support of the “13th Five-Year Plan” policy, China has obtained great achievements in both economic and technological fields, and the 5G commercialization has accelerated the transformation and development of China's digital economy. On 23 September 2020, IBO Communication entered into an equipment procurement contract for IBO New 5G Indoor Coverage System with China Mobile System Integration Co., Ltd.* (中移系統集成有限公司) to sell products including near-end terminals for 5G DAS system and far-end terminals for 5G DAS system to China Mobile System Integration Co., Ltd.* (中移系統集成有限公司) at a total consideration of approximately RMB32.54 million. While insisting on innovation of research and development, we also deepen the promotion of globalization and new 5G indoor coverage system equipment. During the Period, in order to introduce high-frequency 5G intelligent products to the market and provide customers with integrated system solutions, the Group has continued to increase its efforts on scientific research and actively deploy a new economic business model with 5G as the main core foundation in the future.

* For identification purpose only

CHAIRMAN'S STATEMENT

Finally, I would like to express my sincere gratitude to the Board, management team and all employees of the Group for their contribution and efforts during the Period, and also to the Group's partners and shareholders for their strong support and trust to the Group for a long time. We will unremittingly make all-out effort to build a new era of digital economy with leading technology and high-quality products and services, so as to welcome the arrival of the new era of 5G!

Mr. Lai Tse Ming

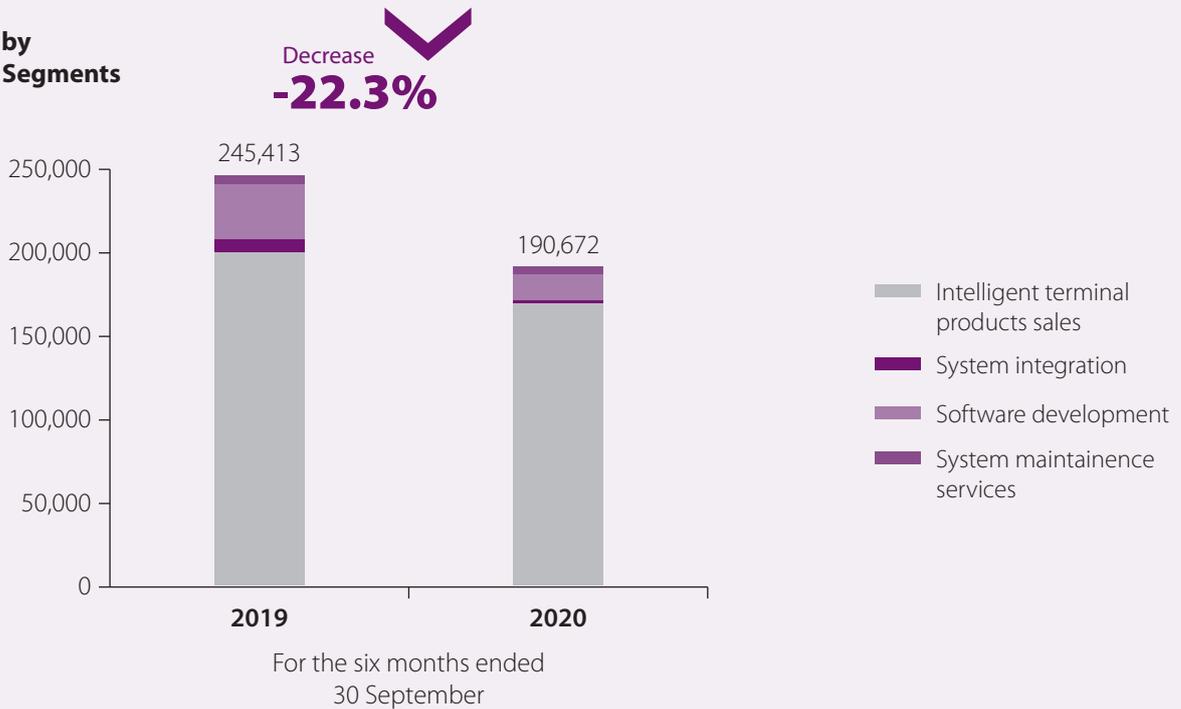
Chairman & Executive Director

Hong Kong, 30 November 2020

FINANCIAL HIGHLIGHTS

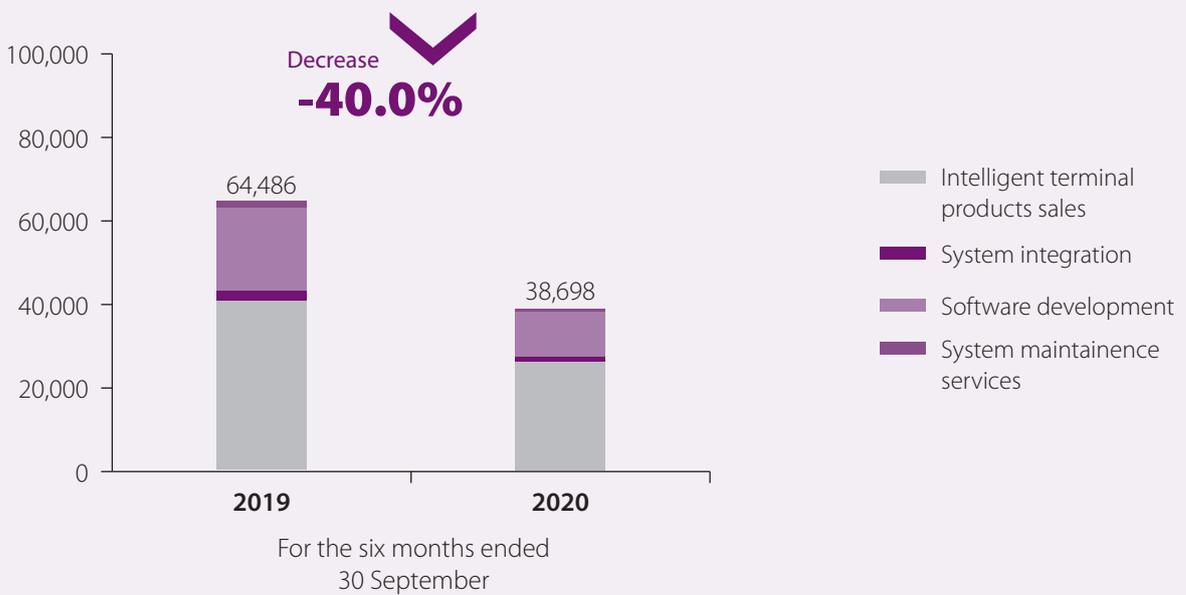
Revenue by Business Segments

RMB'000



Gross Profit by Business Segments

RMB'000



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a National High and New Technology Enterprise (國家高新技術企業) that focuses on providing comprehensive IoT intelligent terminal product applications and solutions services in the PRC. The Group 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 six months ended 30 September			
	2020		2019	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
Intelligent terminal products sales	168,507	88.3	199,201	81.2
System integration	2,385	1.3	7,866	3.2
Software development	15,434	8.1	32,864	13.4
System maintenance services	4,346	2.3	5,482	2.2
Total	190,672	100.0	245,413	100.0

Intelligent terminal products sales

During the Period, the Group is committed to developing, producing and selling customized IoT intelligent terminal products to customers. In view of the impact of the COVID-19 pandemic on the China's economy, the sales business of the Group's intelligent terminal products contracted during the Period, with revenue of approximately RMB168.51 million (corresponding period of 2019: approximately RMB199.20 million), representing a year-on-year decrease of approximately 15.4%, which accounts for 88.3% of the Group's total revenue.

During the Period, the Group's major customers included a Beijing-based technology company mainly engaged in IoT business, a Shenzhen-based business consulting company and a Guangzhou-based international freight forwarding company (to which the Group sold electronic products, including compound tags, compound intelligent tags, passive-tagged addressing software, epoxy passive tags and electronic tags). Furthermore, it also included the equipment procurement contract for IBO New 5G Indoor Coverage system entered into between the Group and China Mobile System Integration Co., Ltd.* (中移系統集成有限公司). Further details are set out in the section headed "MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE PERIOD — Entering Into Equipment Procurement Contract for IBO New 5G Indoor Coverage System with China Mobile System Integration Co., Ltd.* (中移系統集成有限公司)" below in this report and the Company's announcement dated 23 September 2020.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

System integration

Based on analysis and assessment of customers' needs, the Group provides comprehensive and customized 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. In view of the impact of the COVID-19 pandemic on the China's economy, the Group's system integration business contracted during the Period with a revenue of approximately RMB2.39 million (corresponding period of 2019: approximately RMB7.87 million), representing a year-on-year decrease of approximately 69.6%, which accounted for 1.3% of the Group's total revenue.

During the Period, the Group's other major customers included (i) a Guangdong-based oil company, for which the Group accepted its commission to carry out special services on ancillary services project of petrochemical wallet station-level system with specific elements including hardware update, new control system installation, implementation of petrochemical electronic wallet and oil machine authorization code and liquidometer-connected control system; and (ii) a Beijing-based intelligent technology company, for which the Group arranged the staff to participate in the technical services of the data integrated management service platform project implemented by it, including system integration and server debugging.

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 customized software application development services. In view of the impact of the COVID-19 pandemic on the China's economy, the software development business of the Group contracted during the Period, with revenue of approximately RMB15.43 million (corresponding period of 2019: approximately RMB32.86 million), representing a year-on-year decrease of approximately 53.0%, which accounts for 8.1% of the Group's total revenue.

During the Period, the Group's major customers were mainly the customers of Weitu Group, in which the Company indirectly held 51.7321% ownership during the Period. The customers included (i) a Shenzhen-based intelligent technology company, for which the Group accepted its commission to carry out the demand research and analysis, system design, function customization development, data sorting and entry, implementation of deployment and training as well as technical support within the scope of the "Building Visualisation Integration Platform Project"; (ii) a Shenzhen-based business service company, for which the Group accepted its commission to carry out the functional development and support services of the "electronic trading platform", covering demand research and organization, software function development and realization, testing, server installation and deployment and technical training within the scope of the system; (iii) a Ningbo-based intelligent industry company, for which the Group accepted its commission to develop the "Plant Integrated Management Platform Project" with main elements including 2D and 3D visualization display, system integration and comprehensive management platform; and (iv) a Ningbo-based intelligent technology company, for which the Group accepted its commission to research and develop "IoT Smart Park Management Platform and Visualization Integration Project", allowing the data to be collected to, analyze and processed by a data service platform though applying IoT technology, and therefore providing more advanced dynamic data application services, which will fundamentally change the traditional intelligent system.

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 Period, the revenue of the Group's system maintenance services business was approximately RMB4.35 million (corresponding period of 2019: approximately RMB5.48 million), representing a decrease of approximately 20.6% as compared to last year, accounting for 2.3% of the Group's total revenue.

During the Period, the major systems maintenance services of the Group included providing information systems maintenance services to a PRC state-owned petroleum company, which involved petrol filling IC card system and convenience store management system of more than 2,000 gas stations, such as the maintenance of point of sale ("POS") terminals, consumption POS machines, operating systems, database systems and related software, data maintenance and technical training.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 22.3% to approximately RMB190.67 million during the Period as compared with corresponding period of last year (corresponding period of 2019: approximately RMB245.41 million), mainly because the intelligent terminal products sales business, system integration business, software development business and system maintenance services business contracted due to the impact of the COVID-19 pandemic on the China's economy, representing a year-on-year decrease of approximately 15.4%, 69.6%, 53.0% and 20.6%, respectively.

Gross profit and gross profit margin

The Group's gross profit decreased by 32.2% to approximately RMB44.56 million for the Period (corresponding period of 2019: approximately RMB65.71 million), which was mainly because the intelligent terminal products sales business, system integration business, software development business and system maintenance services business contracted due to the impact of the COVID-19 pandemic on the China's economy, leading to the decrease in overall income. The gross profit margin decreased by 3.4 percentage points to 23.4% as compared with last year (corresponding period of 2019: 26.8%), which was mainly due to the increase in amortization expenses associated with intangible assets arising from acquisition of Weitu Group.

Other income

The Group's other income for the Period mainly included (i) interest income from bank deposits; (ii) rental income; and (iii) government grants. Other income increased by 52.3% to approximately RMB2.62 million for the Period (corresponding period of 2019: approximately RMB1.72 million) and such change was mainly due to the increase in government grants for the Period.

Other gains and losses

The Group's other net losses decreased by 34.9% to approximately RMB7.66 million for the Period (corresponding period of 2019: approximately RMB11.77 million) and such change was mainly due to the net exchange gains recorded during the Period as compared with the net exchange losses recorded for the corresponding period of 2019.

Share of loss of an associate

The Group's share of loss of an associate was approximately RMB0.22 million for the Period (corresponding period of 2019: Nil), which was related to the loss attributable to acquisition of 15% of the issued share capital of Good Cheer Ventures Limited by the Group. Further details are set out in the announcements of the Company dated 5 March 2019, 17 April 2019 and 25 September 2019.

Impairment losses under ECL model, net of reversal

During the Period, the Group's impairment losses under ECL model, net of reversal included changes in expected credit losses during the Period for trade receivables, other receivables, contract assets and other financial assets. During the Period, the impairment losses under ECL model, net of reversal increased by 384.3% to approximately RMB5.86 million (corresponding period of 2019: approximately RMB1.21 million), which was mainly due to the increase in trade receivables during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution and selling expenses

The Group's distribution and selling expenses increased by 92.3% to approximately RMB3.98 million for the Period (corresponding period of 2019: approximately RMB2.07 million), which was mainly due to the fact that more sales personnel are required to explore the market since IBO Communication and IBO Information Technology have just commenced their businesses.

Administrative expenses

The Group's administrative expenses decreased by 25.3% to approximately RMB19.24 million for the Period (corresponding period of 2019: approximately RMB25.76 million), which was mainly due to (i) the resignation of Ms. Cheng Yan (程雁) ("Ms. Cheng") as an executive Director and vice chairperson of the Company on 25 May 2020 as well as her 20,000,000 share options also being cancelled by the Board on the same day, and the offset against its related share option expenses by the Company during the Period. Further details are set out in the announcements of the Company dated 7 August 2019, 15 October 2019 and 25 May 2020 and the Company's circular dated 17 September 2019; and (ii) the decrease in the number of employees of the Group, which resulted in a decrease in employee expenditures.

Finance costs

The Group's finance costs increased by 30.2% to approximately RMB8.89 million for the Period (corresponding period of 2019: approximately RMB6.83 million), which was mainly due to the increase in interest expenses for the Period resulting from the increase in total outstanding principal of bonds, bank borrowings and other borrowings as compared to last year by the Group during the Period (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 was generally stable at approximately RMB7.60 million for the Period (corresponding period of 2019: approximately RMB7.60 million), which was mainly due to the allocation of more 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 by IBO Information despite the fact that more research and development resources are required since IBO Communication, IBO Information Technology and IBO Digital have just commenced their businesses.

Income tax expense

The Group's income tax expense decreased by 40.8% to approximately RMB5.10 million for the Period (corresponding period of 2019: approximately RMB8.61 million), which was mainly due to the decrease in the profit before tax of IBO Information and Weitu Group, resulting in a corresponding decline in related income tax expenses. The Group's loss before tax for the Period was approximately RMB6.28 million (corresponding period in 2019: profit before tax of approximately RMB12.18 million, with the effective tax rate of approximately 70.7%). Since the Company and its subsidiaries paid their taxes according to their own financial conditions, the Group still recorded income tax expenses despite it recorded a loss before tax during the Period.

Loss attributable to owners for the Period

As a result of the foregoing, the Group's loss attributable to owners of the Company amounted to approximately RMB15.45 million for the Period (corresponding period of 2019: profit attributable to owners of the Company of approximately RMB0.73 million), which was mainly because the intelligent terminal products sales business, system integration business, software development business and system maintenance services business contracted due to the impact of the COVID-19 pandemic on the China's economy, leading to the decrease in overall income and gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure, liquidity and financial resources

The Group has adopted a strict financial management policy, and its financial position remained sound. As at 30 September 2020, the Group's net current assets were approximately RMB293.36 million (31 March 2020: approximately RMB283.99 million).

As at 30 September 2020, the Group's bank balances and cash were approximately RMB33.11 million (31 March 2020: approximately RMB69.18 million) and pledged bank deposits were approximately RMB4.17 million (31 March 2020: approximately RMB2.19 million). The current ratio (a ratio of current assets to current liabilities) was approximately 2.0 times (31 March 2020: approximately 2.3 times).

As at 30 September 2020, the Group's total bank borrowings and other borrowings were approximately RMB53.95 million (31 March 2020: approximately RMB21.05 million).

The Company issued bonds in the aggregate principal amount of HK\$21,550,000 for the Period (corresponding period of 2019: HK\$3,600,000). On 30 September 2020, the outstanding aggregate principal amount of bonds of the Company was HK\$99,750,000 (31 March 2020: HK\$78,200,000). The bonds are transferable subject to the consent from the Company. The bonds will become due on the 1st to 3rd anniversary of the issue date of the bonds. The bonds bear interest at a rate of 1% to 7% per annum, payable annually in arrears. Such proceeds will be used for general working capital of the Group.

As at 30 September 2020, the outstanding aggregate principal amount of convertible bonds of the Company was HK\$36,623,000 (31 March 2020: HK\$50,063,000). For details, please refer to the section headed "USE OF NET PROCEEDS FROM PLACING OF CONVERTIBLE BONDS" below in this report.

As at 30 September 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\$4.2143 million divided into 421,427,509 Shares of HK\$0.01 each.

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 and the Second Stage Subscription (as defined in the circular dated 25 April 2019). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

On 17 February 2019, 223,220,000 Shares were held by the Shine Well, representing approximately 55.81% of the total issued Shares, which is a controlling Shareholder of the Company, and 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 Tse Ming ("**Mr. Lai**"), the chairman and an executive Director of the Company, 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.

As at 30 September 2020, the conditions precedent to the First Stage Subscription as set out in the subscription agreement have been fulfilled. As additional time is required to proceed with the First Stage Subscription, on 29 September 2020, the Company and Shine Well entered into the first supplemental subscription agreement, pursuant to which the Company and Shine Well mutually agreed to extend the completion date of the First Stage Subscription to 30 October 2020. As additional time is required by Shine Well to complete the financial arrangement in relation to the First Stage Subscription, on 30 October 2020, the Company and Shine Well entered into the second supplemental subscription agreement, pursuant to which the Company and Shine Well mutually agreed to further extend the completion date of the First Stage Subscription to 31 December 2020. Further details are set out in the Company's announcements dated 29 September 2020 and 30 October 2020.

As at 30 September 2020, none of the conditions precedent to the Second Stage Subscription have been fulfilled.

Gearing ratio

As at 30 September 2020, the Group's gearing ratio (calculated by dividing total borrowings (including bank borrowings, other borrowings, bonds payables and convertible bonds) by total equity) was approximately 63.6% (31 March 2020: approximately 51.6%).

Capital expenditure

The Group's capital expenditure for the Period decreased by 53.6% to approximately RMB2.38 million (corresponding period of 2019: approximately RMB5.13 million), which was used for office equipment and development cost.

Capital commitment

As at 30 September 2020, the Group had no significant capital commitment (31 March 2020: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 September 2020, the Group had no significant contingent liabilities (31 March 2020: Nil).

Pledge of the Group's assets

As at 30 September 2020 and 31 March 2020, the Group's bank deposits and all of its investment properties have been pledged to secure banking facilities granted to the Group.

Material acquisition and disposal of subsidiaries and affiliated companies

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

Significant investment held

The Group did not have any significant investment during the Period (including any investment in an investee company, which accounted for 5% or more of the Group's total assets as at 30 September 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 30 September 2020, the Group employed a total of 243 employees (30 September 2019: 289 employees). For the Period, staff costs (including Directors' emolument) was approximately RMB24.96 million (corresponding period of 2019: approximately RMB28.86 million). By strictly following the Labour Law* (《勞動法》), the Labour Contract Law* (《勞動合同法》) and Labour Dispute Mediation and Arbitration Law* (《勞動爭議調解仲裁法》) of the PRC, 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. 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 (the "Share Option Scheme"). 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.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR AWARDS AND CERTIFICATES

Accreditation & Certificates	Details	Time of awarding/ Valid duration for Awarding	Accredited/ Certified by
Certificate of Exterior Design Patent	IBO Digital is granted a patent regarding the wearable intelligent devices (for animals)	24 April 2020	National Intellectual Property Administration
Certificate of Utility Model Patent	IBO Information Technology is granted a patent regarding intelligent water pressure gauge with low-power consumption	24 April 2020	National Intellectual Property Administration
Computer Software Copyright Registration Certificate	Originally acquisition of all rights for AIF Safety Monitoring Cloud Software V2.0 by IBO Information Technology	21 May 2020	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 V2.0 by IBO Information Technology	21 May 2020	National Copyright Administration of the PRC
Environmental Management Systems Certificate	It is thereby proved that the Environmental Management System of IBO Information complies with the requirements under (GB/T24001-2016/ISO14001:2015)	5 June 2020 to 4 June 2023	Guangdong Quality Testing CTC Certification Co., Ltd.
	The coverage of the Environmental Management System includes the development of computer software, communication equipment and monitoring software, computer information system integration services, network and computer system operation and maintenance services; design, construction (installation), maintenance and related management activities of safety technology protection engineering (system) within the scope permitted by the China Security & Protection Industry Association		

MANAGEMENT DISCUSSION AND ANALYSIS

Accreditation & Certificates	Details	Time of awarding/ Valid duration for Awarding	Accredited/ Certified by
Occupational Health and Safety Management Systems Certificate	<p>It is thereby proved that the Occupational Health and Safety Management System of IBO Information complies with the requirements under (GB/T45001-2020/ISO45001:2018)</p> <p>The coverage of the Occupational Health and Safety Management System includes the development of computer software, communication equipment and monitoring software, computer information system integration services, network and computer system operation and maintenance services; design, construction (installation), maintenance and related management activities of safety technology protection engineering (system) within the scope permitted by the China Security & Protection Industry Association</p>	5 June 2020 to 4 June 2023	Guangdong Quality Testing CTC Certification Co., Ltd.
Certificate of Utility Model Patent	IBO Digital is granted a patent regarding the animal wearable intelligent equipment and animal activity monitoring system	23 June 2020	National Intellectual Property Administration
Certificate of Invention Patent	IBO Information is granted a patent regarding the body measurement method of cows based on the machine vision	26 June 2020	National Intellectual Property Administration
Evaluation certificate	Weitu Technology is recognized as an excellent solution provider for Smart Zone after evaluation	September 2020	Application Innovation Alliance of Smart Zone
Unit certificate	Weitu Technology is recognized as the joint chairman unit of the Application Innovation Alliance of Smart Zone	September 2020	Application Innovation Alliance of Smart Zone

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE PERIOD

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 Limited ("**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 Management Ltd.

On 24 June 2020, in view of the long-term development strategy of IBO Information and Eternal Asia Supply Chain Management Ltd. ("**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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Entering Into Strategic Cooperation Agreement for 5G Infrastructure Construction With Union of Auspiciousness Capital (Chengdu) Co., Ltd.

On 30 June 2020, with the principle of cooperation and mutual benefit of IBO Information and Union of Auspiciousness Capital (Chengdu) Co., Ltd.* (中聯瑞弘(成都)資產管理有限公司) (“**Union of Auspiciousness**”), and in order to optimize and share resources leveraging on their professional team and abundant resources in respective areas, the parties intend to establish a friendly and stable strategic partnership for jointly promoting the 5G infrastructure construction project and realizing the deep integration of 5G technology with infrastructure. The parties entered into a strategic cooperation agreement for 5G infrastructure construction after friendly consultation.

The parties establish a joint venture company which will engage in the construction of 5G infrastructure. The joint venture’s company principal businesses include, but not limited to, 5G base station construction, 5G smart light pole construction, 5G smart zone construction, 5G smart healthcare construction.

Based on IBO Information’s 5G technical capabilities which are well recognized by Union of Auspiciousness, IBO Information provides 5G technical services for the 5G industry integration of Union of Auspiciousness.

During the period of cooperation between the parties, IBO Information provides to Union of Auspiciousness a series of its proprietary 5G small base station products (including but not limited to main frames of 5G small base station, transmission units of 5G small base station, 5G communication protocol stack software, network management software of 5G small base station), Artificial Intelligence & Internet of Things (AIOT) terminal products and integrated solutions for the 5G industry chain, enabling Union of Auspiciousness to lay out for the 5G infrastructure construction.

The parties establish a joint venture company preparatory group, the members of which are delegated by the parties. The parties will actively promote the negotiation and signing of the formal project cooperation contract, and will carry out specific work on other cooperation matters stipulated in the agreement.

Further details are set out in the announcement of the Company dated 30 June 2020.

Entering Into The Framework Cooperation Agreement in Relation to the 5G Infrastructure Construction with Bureau of Industry and Information Technology of Kunming

On 17 July 2020, in order to jointly promote the development of 5G industry in Yunnan Province, accelerate the 5G infrastructure construction in Yunnan Province, and actively serve and integrate itself into the national development strategy of “new infrastructure”, Bureau of Industry and Information Technology of Kunming is committed to promoting the 5G infrastructure construction, and cultivating and incubating the 5G industry cluster, so as to help Kunming to form a “1452” 5G industry landscape, and enters into a framework cooperation agreement in relation to the 5G infrastructure construction with IBO Communication after friendly negotiation in accordance with the principle of “mutual complementarity, mutual benefit, effectiveness and joint development”.

Relying on the advantages of Bureau of Industry and Information Technology of Kunming in industries, resources, environment, policies and locations as well as the demand for 5G infrastructure construction, and giving full play to the advantages of IBO Communication in products, technologies, operations and industry chain, both parties will carry out all-round cooperation in the fields such as 5G small base stations and DAS system products production, 5G+ smart government affairs, 5G+ smart parks, 5G+ smart medical care, 5G + smart education and 5G industry application demonstration projects, in order to jointly build the base of “New 5G Infrastructure Industry” in Kunming and develop a 5G industry ecosystem. Further details are set out in the announcement of the Company dated 17 July 2020.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Entering Into Equipment Procurement Contract for IBO New 5G Indoor Coverage System with China Mobile System Integration Co., Ltd.* (中移系统集成有限公司)

On 23 September 2020, China Mobile System Integration Co., Ltd.* (中移系统集成有限公司) (“China Mobile Integration”) and IBO Communication entered into the equipment procurement contract for IBO New 5G Indoor Coverage system based on the principles of equality, mutual benefit and consensus after negotiation. Pursuant to the procurement contract, China Mobile Integration would purchase products including near-end terminals for 5G DAS system and far-end terminals for 5G DAS system from IBO Communication at a total consideration of RMB32,544,000. Further details are set out in the announcement of the Company dated 23 September 2020.

BUSINESS OUTLOOK AND STRATEGIES

Commencing and accelerating 5G-related business; 5G business shows promising market and development opportunity

Since 5G has been officially launched for commercial use in the second half of 2019, development of 5G network in the PRC has been accelerating. As of the end of September 2020, 690,000 5G base stations have been set up, which accomplished the target towards 5G base stations construction for the year 2020 in advance. Basically, there is 5G network coverage in municipalities. Meanwhile, the number of 5G users and 5G terminal connections in the PRC grows rapidly with more diversified usage of 5G in various industries.

Given speedy and widening usage of 5G, it poses higher requirements and greater challenges on the communication quality and coverage of 5G network. Currently, the setup of base stations by the operators primarily deals with the coverage of outdoor 5G signal in municipalities. Outdoor base stations cannot efficiently transmit 5G signal to indoor area due to the technological features of 5G signal, which impairs 5G users’ indoor experience. Therefore, telecommunication operators will further optimize the coverage of indoor 5G signal and further enhancement and optimization of 5G network is necessary for key application scenarios (such as mines, container terminal, etc.). The new 5G indoor coverage system or 5G pico base station developed by IBO Communication can provide 5G indoor coverage and network enhancement solution with high efficiency, high speed and high cost-performance ratio for telecommunication operators to satisfy their needs for further development in 5G network. PRC government regards 5G as one of the major areas of new infrastructure and sets targets for 5G development for the coming years. 5G network development target progressively transits from outdoor to indoor coverage, together with increasing application of 5G technology in key scenarios (such as remote-controlled ore car, remote-controlled container quay crane, etc.). It is believed that the demand for the Group’s new 5G indoor coverage system or 5G pico base station will experience a rapid growth. The Group’s 5G-related products have ample room for business expansion and considerable untapped development potential.

The Group performs well in product research and development, sales and delivery and has gradually established national-wide sales team, sales network and sales service system. Currently, the Group has built friendly relationship with agents and business partners in numerous provinces and municipalities to jointly develop the market and further the promotion and application of the Group’s products. Moreover, the Group has been seeking and attracting experienced technical and sales elites in telecommunication industry to join the Group in order to expand our talent pool and solidify the business foundation. The Group’s 5G business is developing at a fast pace with outstanding result in product development and market sales.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Strengthening cooperation with external parties and promoting more infrastructure projects

In order to cooperate with the external parties, the Group is committed to developing partnerships by actively signing cooperation agreements with different companies, so as to integrate their respective advantages for jointly promoting more 5G infrastructure construction projects and improving the quality of products and services with an aim to achieve a win-win situation. During the Period, the Group entered into a series of strategic cooperation agreements:

- on 15 June 2020, the Company and Wafer Systems have reached an agent cooperation agreement for promotion and sales of 5G pico base stations series products.
- on 24 June 2020, IBO Information and Eternal Asia Supply Chain entered into a strategic cooperation agreement for the supply chain platform services for 5G small (pico) base station related products and indoor coverage system.
- on 30 June 2020, IBO Information and Union of Auspiciousness entered into a strategic cooperation agreement for jointly promoting the 5G infrastructure construction project and realizing the deep integration of 5G technology with infrastructure.
- on 17 July 2020, IBO Information and Bureau of Industry and Information Technology of Kunming entered into a framework cooperation agreement in relation to the 5G infrastructure construction.
- on 24 August 2020, IBO New 5G Indoor Coverage system project passed the test of China Mobile Group Shandong Company Limited Binzhou branch. IBO 5G pico base stations have also obtained the approval of network access model from the Ministry of Industry and Information Technology.
- on 23 September 2020, IBO Communication and China Mobile Integration entered into an equipment procurement contract for IBO New 5G Indoor Coverage system at a total consideration of RMB32,544,000.

In the future, the Group will continue to explore opportunities for cooperation with external parties and optimize the quality of the Group's products and service by integrating their respective advantages.

Focusing on developing the application fields of the intelligent IoT

The IoT industry in China is in a stage of rapid growth. Under the background of the gradual maturity and popularization of 5G, artificial intelligence, big data and other technologies, the application of intelligent IoT is currently the main development direction of the IoT industry. The Group will provide various industries with enriched digital transformation solutions as well as create new value for customers.

In the previous year, the Group provided IoT solutions for a variety of industries, including schools, hospitals and real estate developers, with an aim to explore more potential 5G+ intelligent IoT application segments by leveraging their respective advantages and integrating market resources. In the future, the Group will continue to deepen its cooperation with external technology companies, industry partners and scientific research institutions, so as to introduce the enhanced intelligent IoT technology to more different fields.

Consolidating its market position in China and seeking global business opportunities

As a leading IoT intelligent terminal product application and solution service provider in the industry, while consolidating its existing market and business in Mainland China, the Group will also keep an eye on the world by accelerating the deployment of overseas markets and actively developing high-quality overseas projects. In the future, the Group will focus on the 5G network construction and launch more 5G base station products with the goal of promoting the brand "IBO Technology" to the global market.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that had occurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM PLACING OF CONVERTIBLE BONDS

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, places 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.

On 3 April 2019, convertible bonds with an aggregate principal amount of HK\$22,400,000 have been successfully placed to the places, all of whom and whose ultimate beneficial owners are independent third parties. During the Period, the conversion rights attached to the convertible bonds with a principal amount of HK\$13,440,000 have been exercised at the initial conversion price of HK\$1.6 per conversion share. As of 30 September 2020, the conversion rights attached to the convertible bonds with a principal amount of HK\$15,360,000 have been exercised at the initial conversion price of HK\$1.6 per conversion share. 8,400,000 and 9,600,000 conversion shares have been allotted and issued to the convertible bond holders, respectively, according to the terms and conditions of the convertible bonds with a par value of HK\$84,000 and HK\$96,000, respectively, ranking pari passu with all of the issued shares on the date of allotment and among themselves in all aspects.

On 30 September 2020, the outstanding aggregate principal amount of convertible bonds was HK\$7,040,000. Assuming the full conversion into conversion shares and based on the initial conversion price of HK\$1.6 per conversion share, 4,400,000 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\$44,000. The conversion shares will be allotted and issued under the General Mandate.

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.

As of 30 September 2020, the Group has utilised a total of approximately RMB5.26 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 Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司, "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, which is expected to be fully utilised in 2021. The expected timeline for the utilisation of unutilised net proceeds is based on the Group's best estimate of future market conditions, but is subject to changes in current and future market conditions. The utilisation of net proceeds was summarised as below:

	Original allocation of net proceeds from placing of convertible bonds	Actually utilised amount as of 30 September 2020	Unutilised amount as of 30 September 2020
	%	RMB'000	RMB'000
Project in relation to the strategic cooperation framework agreement with IAC	100.0	18,319	13,061

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM PLACING OF CONVERTIBLE BONDS (Continued)

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, places 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.

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. As of 30 September 2020, the conversion rights attached to the convertible bonds with a 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.

On 30 September 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 allotted 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 gross proceeds from the placing are up to HK\$31,140,000. The net proceeds from the placing (after deducting the placing commission and other expenses) are 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 30 September 2020, the Group has utilised a total of approximately RMB21.78 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 RMB90,000,000 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, which is expected to be fully utilised in 2021. The expected timeline for the utilisation of unutilised net proceeds is based on the Group's best estimate of future market conditions, but is subject to changes in current and future market conditions. The utilisation of net proceeds was summarised as below:

	Original allocation of net proceeds from placing of convertible bonds		Actually utilised amount as of 30 September 2020	Unutilised amount as of 30 September 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	21,780	4,844

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
	<i>Notes</i>	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	190,672	245,413
Cost of sales and services rendered		(146,116)	(179,700)
Gross profit		44,556	65,713
Other income	5	2,618	1,721
Other expenses		(4)	(15)
Other gains and losses	6	(7,658)	(11,768)
Share of loss of an associate		(215)	–
Impairment losses under expected credit loss model, net of reversal		(5,863)	(1,211)
Distribution and selling expenses		(3,980)	(2,069)
Administrative expenses		(19,237)	(25,763)
Finance costs		(8,893)	(6,829)
Research and development expenses		(7,604)	(7,599)
(Loss) profit before taxation		(6,280)	12,180
Income tax expense	7	(5,101)	(8,606)
(Loss) profit and total comprehensive (expense) income for the period	8	(11,381)	3,574
(Loss) profit and total comprehensive (expense) income for the period attributable to			
— Owners of the Company		(15,445)	730
— Non-controlling interests		4,064	2,844
		(11,381)	3,574
(Loss) earnings per share			
— Basic (RMB cents)	10	(3.73)	0.18
— Diluted (RMB cents)	10	(4.43)	0.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	<i>Notes</i>	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	6,722	8,684
Right-of-use assets		6,742	8,696
Investment properties		20,100	20,100
Goodwill		23,632	23,632
Intangible assets		52,531	60,078
Interest in an associate		7,565	7,780
Rental deposits		650	1,101
Deferred tax assets		4,522	2,034
		122,464	132,105
Current assets			
Inventories		2,230	675
Trade and other receivables	12	520,889	410,628
Contract assets	13	18,995	11,740
Amount due from a related company		254	243
Amounts due from non-controlling interests		775	1,704
Financial assets at fair value through profit or loss		1,765	1,392
Pledged bank deposits		4,170	2,191
Bank balances and cash		33,110	69,178
		582,188	497,751
Current liabilities			
Trade and other payables	14	122,023	100,362
Lease liabilities		6,843	5,222
Amounts due to non-controlling interests		9,717	9,869
Tax payables		32,714	26,531
Bank borrowings	15	46,660	19,844
Other borrowings	15	4,680	–
Consideration payable		37,448	16,399
Bonds payables		28,747	35,538
		288,832	213,765
Net current assets		293,356	283,986
Total assets less current liabilities		415,820	416,091

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	<i>Notes</i>	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		21,777	22,731
Bank borrowings	15	2,610	1,210
Bonds payables	16	54,253	31,101
Convertible bonds	17	46,786	58,245
Lease liabilities		1,382	3,685
Consideration payable		–	16,399
		126,808	133,371
Net Assets			
		289,012	282,720
Capital and reserves			
Share capital	18	3,542	3,467
Reserves		248,389	246,236
Equity attributable to owners of the Company		251,931	249,703
Non-controlling interests		37,081	33,017
Total Equity			
		289,012	282,720

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company								Total RMB'000
	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	
At 1 April 2019 (audited)	3,349	158,165	(43,325)	14,668	19,998	108,644	261,499	30,202	291,701
Profit and total comprehensive income for the period	-	-	-	-	-	730	730	2,844	3,574
Issuance of shares related to previous acquisition (Note 18)	100	15,624	-	-	-	-	15,724	-	15,724
Acquisition of a subsidiary	-	-	-	-	-	-	-	45	45
Recognition of equity-settled share based payments	-	-	-	9,856	-	-	9,856	-	9,856
At 30 September 2019 (unaudited)	3,449	173,789	(43,325)	24,524	19,998	109,374	287,809	33,091	320,900
At 1 April 2020 (audited)	3,467	178,324	(43,325)	35,550	28,212	47,475	249,703	33,017	282,720
Loss and total comprehensive expense for the period	-	-	-	-	-	(15,445)	(15,445)	4,064	(11,381)
Issuance of shares by the conversion of convertible bonds (note 17)	75	19,389	-	-	-	-	19,464	-	19,464
Recognition of equity-settled share based payments	-	-	-	(1,791)	-	-	(1,791)	-	(1,791)
Transfer	-	-	-	-	2,541	(2,541)	-	-	-
At 30 September 2020 (unaudited)	3,542	197,713	(43,325)	33,759	30,753	29,489	251,931	37,081	289,012

Notes:

- Merger reserve represented the difference between the share capital of Abacus International Group Company Limited ("**Abacus**"), which was transferred from Shine Well Holdings Limited ("**Shine Well**"), an immediate and ultimate holding company of the Company to IBO Holdings Limited ("**IBO Holdings**") pursuant to the reorganisation as set out on the prospectus dated 14 December 2017 and share capital and share premium of IBO Holdings.
- As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China ("**PRC**"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of at least 10% of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	26,653	51,829
Increase in inventories	(1,555)	(9,646)
Increase in trade and other receivables	(114,907)	(105,893)
Decrease in financial assets at fair value through profit or loss	–	5,600
Increase in trade and other payables	19,898	33,313
Other movements in working capital items	(7,277)	8,954
	(77,188)	(15,843)
Cash used in operations	(77,188)	(15,843)
Income taxes paid	(1,080)	(6,110)
NET CASH USED IN OPERATING ACTIVITIES	(78,268)	(21,953)
INVESTING ACTIVITIES		
Prepayments for investments	–	(22,470)
Purchase of property, plant and equipment	(95)	(3,407)
Purchase of intangible assets	(2,287)	(3,601)
Payments for right-of-use assets	–	(51)
Payments for rental deposits	(754)	–
Advance to a related company	(42)	–
Advances to non-controlling interests	(1,080)	–
Repayment from non-controlling interests	2,009	–
Repayment from a related company	31	–
Withdrawal of pledged bank deposit	2,021	–
Placement of pledged bank deposit	(4,000)	–
Interest received	20	–
NET CASH USED IN INVESTING ACTIVITIES	(4,177)	(29,529)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	46,000	24,890
Proceeds from other borrowings	6,740	–
Proceeds from issuance of bonds	19,456	48,254
Payments of commissions for issuance of bonds	(2,496)	–
Repayments of bank borrowings	(17,784)	(28,838)
Repayments of other borrowings	(1,957)	–
Repayment of lease liabilities	(1,455)	(1,074)
Repayments to non-controlling interests	(380)	(2,100)
Advances from non-controlling interests	228	–
Interest paid	(1,975)	(1,280)
NET CASH FROM FINANCING ACTIVITIES	46,377	39,852

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,068)	(11,630)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	69,178	61,684
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD represented by bank balances and cash	33,110	50,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the amendments to HKFRSs and the interpretation in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. REVENUE

Disaggregation of revenue

Types of goods or services

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Intelligent terminal products sales	169,166	199,915
Provision of coordination, management and installation services	1,726	7,152
Software development	15,434	32,864
System maintenance services	4,346	5,482
	190,672	245,413

Timing of revenue recognition

	Six months ended 30 September 2020 (Unaudited)				
	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
A point in time	169,166	–	–	–	169,166
Over time	–	1,726	15,434	4,346	21,506
	169,166	1,726	15,434	4,346	190,672

	Six months ended 30 September 2019 (Unaudited)				
	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
A point in time	199,915	–	–	–	199,915
Over time	–	7,152	32,864	5,482	45,498
	199,915	7,152	32,864	5,482	245,413

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 September 2020

	Intelligent terminal products sales RMB'000	System integration RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
REVENUE					
External sales	168,507	2,385	15,434	4,346	190,672
SEGMENT PROFIT	25,921	1,103	10,773	901	38,698
Unallocated income					2,618
Unallocated expenses					(30,825)
Finance costs					(8,893)
Unallocated other gains and losses					(7,658)
Unallocated impairment losses under expected credit loss model, net of reversal					(5)
Share of loss of an associate					(215)
Loss before taxation					(6,280)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2019

	Intelligent terminal products sales RMB'000	System integration RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
REVENUE					
External sales	199,201	7,866	32,864	5,482	245,413
SEGMENT PROFIT	40,438	2,468	19,886	1,694	64,486
Unallocated income					1,721
Unallocated expenses					(35,446)
Finance costs					(6,829)
Unallocated other gains and losses					(11,768)
Unallocated impairment losses under expected credit loss model, net of reversal					16
Profit before taxation					12,180

Segment (loss) profit represents the (loss) profit before taxation earned by each segment without allocation of other income, other expenses, other gains and losses, distribution and selling expenses, administrative expenses, finance costs, impairment losses, research and development expenses and share of loss of an associate. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

Geographical markets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. OTHER INCOME

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest income from bank deposits	20	37
Rental income	252	307
Government grants (Note)	2,279	1,377
Others	67	–
	2,618	1,721

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

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net exchange gain (loss)	5,941	(2,503)
Gain (loss) on change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)	441	(522)
Recognition of deferred loss from initial recognition of convertible bonds	(5,361)	–
Loss on change in fair value of the derivative component of the convertible bonds (note 17)	(3,720)	(8,268)
Loss on change in fair value of consideration payables	(4,650)	(475)
Loss on disposal of property, plant and equipment	(249)	–
Others	(60)	–
	(7,658)	(11,768)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	7,263	8,078
Deferred tax	(2,162)	528
	5,101	8,606

Hong Kong

Action First Investments Limited ("**Action First**") , a subsidiary of the Company, is subject to Hong Kong Profits Tax. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

PRC

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

In 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%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

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

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	1,448	1,287
Depreciation of right-of-use assets	2,811	1,070
Amortisation of intangible assets (included in cost of sales and services rendered and administrative expenses)	9,834	6,879
Cost of inventories recognised as an expense (included in cost of sales and services rendered)	145,976	161,076
Gross rental income from investment properties	252	292
Impairment loss recognised in respect of trade receivables	5,836	1,247
Impairment loss recognised (reversed) in respect of contract assets	22	(20)
Impairment loss recognised (reversed) recognised in respect of other receivables	22	(16)
Impairment reversed in respect of rental deposits	(17)	–

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the current interim period (2019: nil), nor had any dividend been proposed since the end of the reporting period.

10. (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:

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	(15,445)	730

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

10. (LOSS) EARNINGS PER SHARE (Continued)

	Six months ended 30 September	
	2020 '000	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	414,405	409,300
Effect of dilutive potential ordinary shares:		
Share options	–	1,973
Effect of dilutive potential ordinary shares:	(4,650)	(475)
Convertible bonds	28,523	–
	442,928	411,273
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share		
	442,928	411,273

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the interim period, the Group acquired items of property, plant and equipment of approximately RMB95,000 (30 September 2019: RMB3,407,000) to expand its operations.

12. TRADE AND OTHER RECEIVABLES

	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Trade receivables	476,321	338,215
Less: allowance for doubtful debts	(14,983)	(9,147)
	461,338	329,068
Other receivables, net of ECL	2,482	2,277
Value-added tax recoverable	379	1,246
Prepayments for purchase of inventories	55,936	77,773
Rental deposit, net of ECL	754	264
	520,889	410,628
Total trade and other receivables		
	520,889	410,628

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables presented based on date of delivering of goods/payment certificates/invoice dates at the end of the reporting period:

	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
0–30 days	83,776	99,406
31–90 days	53,202	117,700
91–180 days	51,818	36,768
181–365 days	216,017	58,370
Over 365 days	56,525	16,824
	461,338	329,068

13. CONTRACT ASSETS

	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Contract assets:		
Provision of coordination, management and installation services of smart cities	283	625
Software development	9,020	11,164
Intelligent terminal products sales	9,763	–
Less: allowance for credit losses	(71)	(49)
	18,995	11,740

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. TRADE AND OTHER PAYABLES

	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Trade payables	40,952	31,227
Bills payables	–	2,000
Other payables and other accruals	7,978	10,413
Other tax payable	63,339	47,935
Accrued payroll expenses	6,157	7,192
Interest payables	3,597	1,595
	122,023	100,362

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

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

	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
0–30 days	7,993	2,566
31–90 days	10	51
Over 90 days	32,949	28,610
	40,952	31,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

15. BANK BORROWINGS AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB46,000,000 (30 September 2019: RMB24,890,000) and new other borrowings amounting to RMB6,740,000 (30 September 2019: nil). The loans carry interest at fixed market rates ranging from 4.8% to 18% and are repayable in instalments over a range of period of 1 to 3 years, the proceeds were used to finance daily operation of businesses.

16. BONDS PAYABLES

During the current interim period, the Group issued bonds at par value in an aggregate principal amount of HK\$21,550,000 (equivalent to approximately RMB19,456,000) to independent third parties. The bonds are denominated in HK\$ and are unlisted. The Bonds carry interest at a nominal rate ranging from 1% to 7% per annum, payable annually in arrears with a maturity period of 1 to 2 years. The effective interest rate of the bond payable is about 13%. The proceeds were utilised for general working capital of the Group.

17. CONVERTIBLE BONDS

	Liability component RMB'000	Derivative component RMB'000	Deferred Day-1 loss RMB'000	Total RMB'000
At 1 April 2020	47,583	22,853	(12,191)	58,245
Recognition of deferred Day-1 loss in profit or loss	–	–	5,361	5,361
Change in fair value	–	3,720	–	3,720
Interest charge	1,583	–	–	1,583
Conversion to shares	(13,249)	(6,215)	–	(19,464)
Exchange realignment	(1,620)	(1,550)	511	(2,659)
At 30 September 2020	34,297	18,808	(6,319)	46,786

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

18. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
--	------------------	---------------------------

Ordinary shares of HK\$0.01 each

Authorised:

At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 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 2019

400,000,000

4,000

3,349

Issued as consideration for the acquisition of subsidiaries (*Note*)

10,927,509

109

100

At 30 September 2019

410,927,509

4,109

3,449

At 1 April 2020

413,027,509

4,130

3,467

Issue of shares arising from conversion of convertible bonds

8,400,000

84

75

At 30 September 2020

421,427,509

4,214

3,542

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 Limited, in respect of the acquisition of Bright Leap Limited and its subsidiaries in the year ended 31 March 2019.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	30 September 2020	31 March 2020			
Financial assets					
Listed equity securities	RMB1,765,000	RMB1,392,000	Level 1	Quoted bid prices in an active market	N/A
Financial liabilities					
Consideration payable	RMB37,448,000	RMB32,798,000	Level 3	Quoted bid prices in an active market, reduced by expected shortfall of actual profits of Bright Leap against guaranteed profits	Probability-adjusted profits (Note 2)
Convertible bonds — derivative components net of the deferred Day-1 loss	RMB12,489,000	RMB10,662,000	Level 3	Black Scholes	Expected volatility (Note 3)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

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 RMB1,445,000(2019: RMB1,265,000).
3. As at 30 September 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 RMB913,000/RMB905,000 (2019: RMB1,474,000/RMB1,343,000), respectively. The key inputs used in calculation of the fair values of convertible bonds are as follows:

	Convertible bond I		Convertible bond II	
	31 March 2020	30 September 2020	31 March 2020	30 September 2020
Time-to-maturity	2.0 years	1.5 years	2.3 years	1.8 years
Underlying share price	HK\$2.19	HK\$2.60	HK\$2.19	HK\$2.60
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	47.5%	51.9%	46.2%	49.0%
Risk-free rate	0.6%	0.1%	0.6%	0.1%
Discount rate	10.8%	6.3%	10.8%	6.4%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Rental expense	–	117

(b) Compensation of key management personnel

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

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short term benefits	6,244	4,939
Contribution to retirement benefits schemes	139	106
Equity-settled share-based payments	(3,505)	8,335
Rental expense	2,878	13,380

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

OTHER INFORMATION

MODEL CODE FOR 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 Period.

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 Period. The Board and the management of the Group consider that maintaining a well-established corporate governance practices and procedures is the key to success.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: nil).

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.

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 9.8% 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 24.0% of the total number of issued Shares as at the date of this report.

OTHER INFORMATION

SHARE OPTION SCHEME (Continued)

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

Name and/ or category of grantees	Date of grant of share options	Outstanding as at 1 April 2020	Number of share options				Outstanding as at 30 September 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\$	
			During the Period									
			Granted	Exercised	Cancelled	Lapsed						
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		80,000,000	-	-	(20,000,000)	-	60,000,000					

Notes:

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

OTHER INFORMATION

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

As at 30 September 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	81.44%
Mr. Gao	Beneficial owner	–	4,000,000	0.95%
Mr. Teng	Beneficial owner	–	4,000,000	0.95%
Mr. Yu	Beneficial owner	–	4,000,000	0.95%

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:

- The percentage of shareholding is calculated based on 421,427,509 Shares in issue as at 30 September 2020.
- 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.
- Details of share options held by Directors are set out in the section headed "Share Option Scheme".
- 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 30 September 2020, the conditions precedent to the First Stage Subscription as set out in the subscription agreement have been fulfilled. As additional time is required to proceed with the First Stage Subscription, on 29 September 2020, the Company and Shine Well entered into the first supplemental subscription agreement, pursuant to which the Company and Shine Well mutually agreed to extend the completion date of the First Stage Subscription to 30 October 2020. As additional time is required by Shine Well to complete the financial arrangement in relation to the First Stage Subscription, on 30 October 2020, the Company and Shine Well entered into the second supplemental subscription agreement, pursuant to which the Company and Shine Well mutually agreed to further extend the completion date of the First Stage Subscription to 31 December 2020. Further details are set out in the Company's announcements dated 29 September 2020 and 30 October 2020.

As at 30 September 2020, none of the conditions precedent to the Second Stage Subscription have been fulfilled.

OTHER INFORMATION

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

Notes: (Continued)

- Shine Well is wholly and beneficially owned by Mr. Lai.
- 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. On 30 October 2020, Fortune Finance Limited has agreed to further extend the repayment period of the loans to 30 April 2021.

Save as disclosed herein, as at 30 September 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 Stock Exchange pursuant to the Model Code.

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

As at 30 September 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 (Notes 4, 5)	–	76.70%
Ms. Ho Fung Lin ("Ms. Ho") (Note 2)	Interests of spouse	323,220,000 (Notes 4, 5)	20,000,000	81.44%
China Fortune Financial Group Limited (Note 6)	Interests in a controlled corporation	223,220,000 (Note 5)	–	52.97%
Fortune Financial (Holdings) Limited (Note 6)	Interests in a controlled corporation	223,220,000 (Note 5)	–	52.97%
Fortune Finance Limited (Note 6)	Security interests in shares	223,220,000 (Note 5)	–	52.97%

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 and interests in a controlled corporation	37,338,000 (Note 8)	8.86%

OTHER INFORMATION

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

Notes:

1. The percentage of shareholding is calculated based on 421,427,509 Shares in issue as at 30 September 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".
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 30 September 2020, the conditions precedent to the First Stage Subscription as set out in the subscription agreement have been fulfilled. As additional time is required to proceed with the First Stage Subscription, on 29 September 2020, the Company and Shine Well entered into a first supplemental subscription agreement, pursuant to which the Company and Shine Well mutually agreed to extend the completion date of the First Stage Subscription to 30 October 2020. As additional time is required by Shine Well to complete the financial arrangement in relation to the First Stage Subscription, on 30 October 2020, the Company and Shine Well entered into a second supplemental subscription agreement, pursuant to which the Company and Shine Well mutually agreed to further extend the completion date of the First Stage Subscription to 31 December 2020. Further details are set out in the Company's announcements dated 29 September 2020 and 30 October 2020.

As at 30 September 2020, none of the conditions precedent to the Second Stage Subscription have been 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. On 30 October 2020, Fortune Finance Limited has agreed to further extend the repayment period of the loans to 30 April 2021.
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).
8. 34,876,000 Shares of which are wholly and beneficially owned by Value Convergence Holdings Limited, and the remaining 2,462,000 Shares are wholly and beneficially owned by VC Brokerage Limited. VC Brokerage Limited is a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by VC Financial Group Limited (a limited company incorporated in BVI), while VC Financial Group Limited is wholly and beneficially owned by Value Convergence Holdings Limited. Value Convergence Holdings Limited is therefore deemed to be interested in the Shares held by VC Brokerage Limited for the purpose of the SFO.

Save as disclosed above, and as at 30 September 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.

OTHER INFORMATION

CHANGE OF INFORMATION OF THE DIRECTORS

The changes of information of the Directors since the date of the report of the Company for the year ended 31 March 2020 and since 23 July 2020 on which Ms. Sun Qing was appointed as a non-executive Director of the Company which is required to be disclosed 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, IBO Intelligent (Shenzhen) Limited* (艾伯智能(深圳)有限公司), Shenzhen IBO Supply Chain Technology Co., Ltd.* (深圳市艾伯供應鏈科技有限公司), Chengdu Panding Technology Co., Ltd.* (成都市盤鼎科技有限責任公司), IBO Information Technology, IBO Communication and Hunan IBO Communication Co., Ltd.* (湖南艾伯通信有限公司)) at the date of this report.

Mr. Gao Weilong

- Mr. Gao has ceased to be a director of IBO Digital since November 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in this interim report, the Company, its holding company or any of its subsidiaries had not entered into any arrangements at any time during the Period 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 SFO)).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Hung Muk Ming (Chairman), Dr. He Tianxiang and Dr. Wong Kwok Yan. The Company's unaudited interim results and interim report for the six months ended 30 September 2020 have been reviewed by the audit committee. The audit committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosures have been made.

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

Hong Kong, 30 November 2020

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

* For identification purpose only

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
“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 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
“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
“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

* For identification purpose only

DEFINITIONS

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China which, for the purposes of this report, excludes Hong Kong, Macau Special Administrative Region and Taiwan Region
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“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