ibotech 艾伯科技

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

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

Stock Code 股份代號 : 2708

2019
ANNUAL REPORT 年報

CORPORATE PHILOSOPHY
公司理念

By upholding the corporate tenet of

Intelligent Security & Integrative Focus

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

公司秉承

智能安全
專注一體化

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

BOARD OF COMMITTEES

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

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

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

COMPANY SECRETARY

Mr. Pang Chun Yip *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Lai Tse Ming
Mr. Yu Kin Keung

PRINCIPAL BANKS

China Guangfa Bank
Baosheng County Bank
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

COMPLIANCE ADVISER

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

AUDITORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CORPORATE INFORMATION

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

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

ABOUT US

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

LEADING PROVIDER OF INDUSTRIAL IoT SOLUTION AND SERVICE IN THE PRC

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

STRONG TECHNICAL TEAM AND R&D CAPABILITY

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

VISION

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

ABOUT US

DEVELOPMENT AND OUTLOOK

2021
Industrial digitalization application in various industries

2020
Industrial digitalization application in various industries

2019
Industrial digitalization application in agricultural industry

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

2017
Listing on the Main Board of HKEX

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

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

2013
Being awarded the China RFID Leading Enterprise Award

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

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

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

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

2002
Taking on the establishment of petrol filling IC card system project in Guangdong province

2000
Establishing IBO Information (Shenzhen) to commence its operations in Internet business

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce the consolidated results of the Group for the year ended 31 March 2019 (the "**Year**").

The Group's revenue for the Year increased by 40.5% from approximately RMB212.70 million of the corresponding period of last year to approximately RMB298.92 million, which is primarily due to the strong growth in the revenue of intelligent terminal products sales and software development operations, of which the revenue of intelligent terminal products sales increased to approximately RMB245.20 million, representing a significant increase of 150.9% from approximately RMB97.74 million as compared to last year, and the revenue of software development operation increased to approximately RMB31.34 million, representing a significant increase of 259.4% from approximately RMB8.72 million as compared to last year. The Group's gross profit for the Year amounted to approximately RMB101.30 million and the profit margin was 33.9%.

The Group continued to deepen the development of core business and firmly grasped the strong momentum of the thriving market to diversify income sources. On 1 February 2019, the Group and Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司) entered into a strategic cooperation framework agreement for a term of three years. The parties shall utilize relevant advantage in and expertise of design, development, manufacturing and sales of smart factories, consumer electronics and smart wearable products to run "industry 4.0" projects. In January 2019, the Group completed the acquisition of 51.7321% ownership interests in Bright Leap (as defined below) (which indirectly holds Weitu Group) (for details, please refer to the section headed "Material Acquisition and Disposal of Subsidiaries and Affiliated Companies — Material Acquisition Completed During the Year"), which also contributed to software development business with the projects in a technology company, a school and an aerospace company. The Group also focused on the development of scientific research and continued to invest. On July 2018, the Company, through its subsidiary IBO Information, cooperated with the School of Computer Science of Wuhan University, a renowned university in the Mainland, to establish "IBO Information. Wuhan University IoT Joint R&D Centre* (艾伯資訊 • 武漢大學物聯網聯合研發中心)". R&D and innovation efforts are to be made in such cutting-edge technologies as artificial intelligence (AI), big data applications and intelligent software.

The current market size of IoT has exceeded RMB1 trillion. The penetration rate of IoT technology and resolution keeps increasing in every industry. In 2019, the No. 1 Central Document introduced "the promotion of a series of self-development and innovation (including smart agriculture) sector". The Group actively responds to the state policy and makes deployment in smart agriculture sector. According to the Investment Strategy Analysis Report of China Internet + Smart Agriculture Trends and Industry Chain* (《中國互聯網+智慧農業趨勢前瞻與產業鏈投資戰略分析報告》) published by Forward Business Information Co., Ltd. as of 2018, the potential market size of smart agriculture industry has reached RMB20.306 billion and it is anticipated that the number will increase to RMB26.761 billion in 2020. On 10 June 2019, the Group established strategic and cooperative relationship with Tongliao Agriculture and Livestock Bureau (通遼市農牧局) to invest and construct "Digitalisation project of smart agriculture and livestock industry in Tongliao* (通遼智慧畜牧產業數字化項目)", which is planned to invest or attract more than RMB1 billion in the coming 5 year to 10 years. Meanwhile, the Group also grasps the golden opportunity coming with the rapid development in the IoT industry and smart city construction to enrich product and application portfolios to provide customers with a wider range of IoT smart terminal product and comprehensive resolution in order to secure our leading position in the industry.

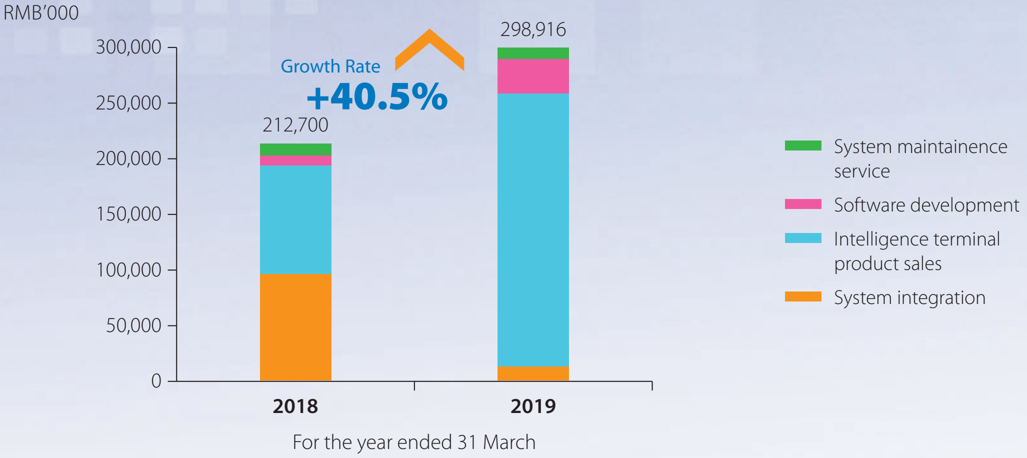
At last, I would like to express my sincere gratitude to the Board, management team and all staff of the Group for their great dedication. We will continue to strive to seize market opportunity and join together to get a better result in future!

Mr. Lai Tse Ming
Chairman & Executive Director

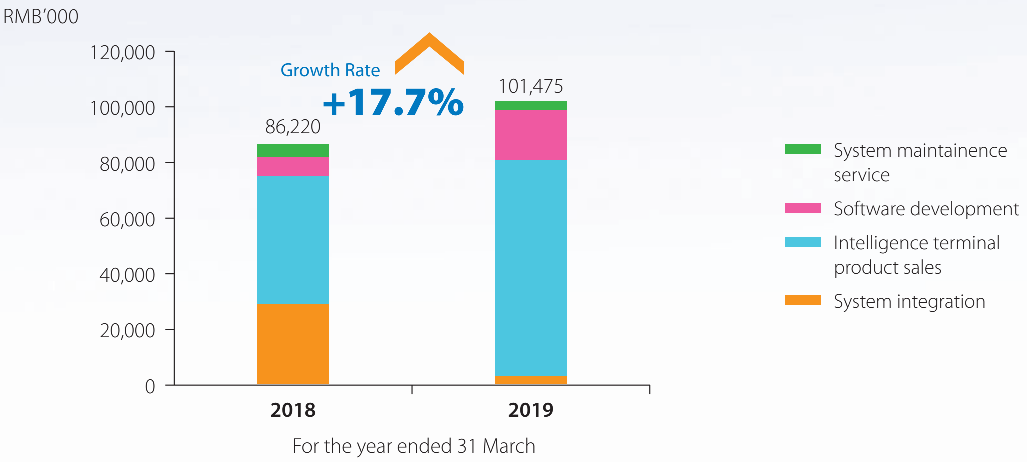
Hong Kong, 28 June 2019

FINANCIAL HIGHLIGHTS

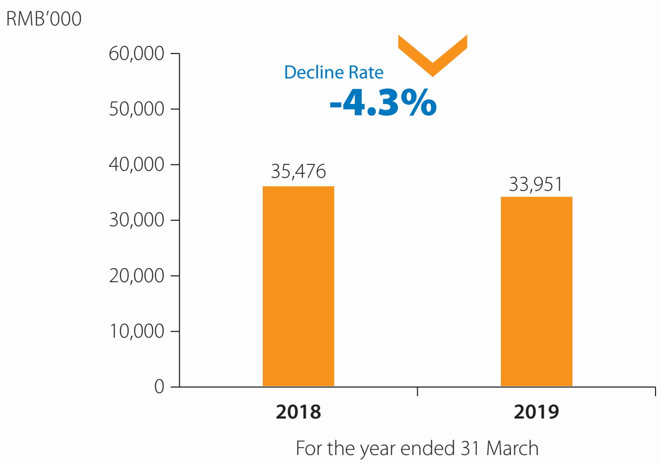
Revenue by Business Segment



Gross Profit by Business Segment



Profit attributable to owners



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

Revenue breakdown by business segment:

	For the year ended 31 March			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Intelligent terminal products sales	**245,198**	**82.0**	97,736	45.9
System integration	**12,141**	**4.1**	95,242	44.8
Software development	**31,341**	**10.5**	8,723	4.1
System maintenance services	**10,236**	**3.4**	10,999	5.2
Total	**298,916**	**100.0**	212,700	100.0

Intelligent Terminal Products Sales

During the Year, the Group was committed to developing, producing and selling customised IoT intelligent terminal products to its customers. In line with a growing demand for IoT products in China in recent years, the Group secured and supplied electronic products to new customers during the Year, thereby maintaining the growth momentum in the intelligent terminal products sales. As a result, the revenue for the Year amounted to approximately RMB245.20 million (2018: approximately RMB97.74 million), representing a strong increase of approximately 150.9% as compared with last year, accounting for 82.0% total revenue of the Group. Such segment remains as a dominate driver for the growth of the Group.

During the Year, the Group's major clients included (i) a Beijing-based technology company mainly engaged in IoT (to which the Group sold electronic products, including fiber optical transceivers, fiber interface boards, optical line termination and optical network unit, in addition to providing one year of maintenance services); (ii) a Beijing-based technology company (to which the Group sold electronic products, including RFID scanning devices, RFID Equipment Management Software, Integrated Video Supervisory and Control System Software, in addition to providing one year of maintenance services); (iii) a Shanghai-based data service provider (to which the Group sold electronic products, including smart IC cards, RFID tags, RFID scanning equipment, equipment management software, active electronic tags, in addition to providing one year of maintenance services); (iv) a Suzhou-based communication equipment trading company (to which the Group sold electronic products, including microwave reader used for car parks, antenna for microwave reader, ETC-MOBU active electronic tag and host of free-flow microwave reader); and (v) a Sanya-based software company (to which the Company told electronic products, including data-center switch, centrally controlled all-optical switch, protocol switch and voice gateway, in addition to providing one year of maintenance services).

System Integration

Based on analysis and assessment of customers' needs, the Group provides comprehensive and tailor-made system solutions applying IoT and related technologies to its customers, including overall system planning, development and design, procurement of system equipment, integration of software and hardware devices of the system, system implementation, trial operation and system management and maintenance, etc. During the Year, the Group made strategic adjustment to its business to shift our focus to intelligent terminal products sales and software development segments, which have higher gross profit, for the reason that system integration business shows a special feature of cyclic fluctuation. Thus, the system integration business recorded a revenue of approximately RMB12.14 million (2018: approximately RMB95.24 million), representing a decrease of approximately 87.3% as compared with last year, accounting for 4.1% total revenue of the Group.

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

Software development

In line with the business and management requirements of its customers, the Group planned and designed the software system framework and functions list alongside customized software application development services, for its customers. The Group's software development business achieved significant breakthrough during the Year with substantial revenue, which increased by approximately 259.4% as compared with last year to approximately RMB31.34 million (2018: approximately RMB8.72 million), the proportion of which over the Group's total revenue increased to 10.5% from 4.1% last year.

During the Year, the Group's major projects included (i) software developed for a Guangdong-based company engaged in campus security training and management for security control platform system projects for primary and secondary schools in Guangdong Province, in which the Group was responsible for the six phases or processes involving software development, and its services included demand analysis, system structure design, coding and local configuration, local comprehensive testing, implementation and delivery, and provision of remote online assistance; and (ii) development of corporate cloud platform for a Shenzhen-based Internet technology company, which involved user and authority management, data dictionary management, application system operation and management, account management, personalized setting, corporate information diagram, navigation of corporate services, contacts for corporate services, information subscription, corporate space, searching system for industrial lands and properties and government and corporate information communication system.

On January 2019, the Group completed the acquisition of 51.7321% ownership interests in Bright Leap (as defined below) (which indirectly holds Weitu Group) (for details, please refer to the section headed "Material Acquisition and Disposal of Subsidiaries and Affiliated Companies — Material Acquisition Completed During the Year"), which also brought considerable software development income to the Group. Software development business attributable to Weitu Group included (i) research and development project of a first-tier common trench commanding and deployment platform for a Shenzhen-based technology company, which involved intelligent IoT sensor surveillance, alarm management, plan management, trench operation and maintenance management, information file management, statement management, equipment management, user management, system management, 3-D visualization and e-patrol; (ii) development of integrated operation and management system for a school in Hunan Province, which involved development, integration, statistics and analysis of data center, 3D informationization technology platform for the campus, connection and integration of surveillance system, intelligent and integrated operation, maintenance and management system for the campus, WeChat for the school and IOC operation center for the campus; and (iii) development of supply chain e-commerce system solution for an aerospace information company, which combined the corporate internal supply chain management system with business cooperative platform, covering the needs for application and design, corporate internal control and synchronization of between corporate and business partners. Finally, the solution provides convenience to the corporation to integrate the progress of handling orders, settlement, sales policy and inventory management.

System Maintenance Services

The Group provides system maintenance services for both the software and hardware of information systems encompassing maintenance and management for system devices, database maintenance, daily monitoring on the systems and system upgrades. During the Year, the system maintenance services business of the Group generally remained stable with a realized revenue of approximately RMB10.24 million (for the year 2018: approximately RMB11.00 million), representing a decrease of approximately 6.9% as compared to last year, accounting for 3.4% total revenue of the Group.

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased significantly by 40.5% to approximately RMB298.92 million during the Year as compared with corresponding period of last year (2018: approximately RMB212.70 million), mainly attributed to a robust growth in revenue of intelligent terminal products sales business and software development business. For the intelligent terminal products sales, the Group's sales of electronic products to an IoT technology company situated in Beijing recorded a significant growth, as well as the Group's sales of electronic products to its newly secured clients in Beijing, Shanghai, Suzhou and Sanya (which engage in technology, data services, trading of communication equipment and software businesses respectively). For the software development, the main growth came from the software developed for a Guangdong-based company engaged in campus security training and management for "Security Control Platform System Projects for Primary and Secondary Schools in Guangdong Province", and the turnover arising from the development of an enterprise service cloud platform for an Internet technology company based in Shenzhen. On January 2019, the Group completed the acquisition of 51.7321% ownership interests in Bright Leap (details of which please see the section headed "Material Acquisition and Disposal of Subsidiaries and Affiliated Companies — Material Acquisitions Completed During the Year" in this report below), which contributed considerable revenue from software development. All of these contributed considerable revenue to the Group for the Year, as well as offsetting the impact brought by a decline in revenue from the system integration business.

Gross profit and gross profit margin

The Group's gross profit increased by 17.5% to approximately RMB101.30 million for the Year (2018: approximately RMB86.22 million), which was mainly attributable to a significant increase in the overall revenue driven by a robust growth in revenue from sales of intelligent terminal products business and software development business. The gross profit margin decreased by 6.6 percentage points to 33.9% as compared with corresponding period of last year, mainly due to (i) increased human resources costs; and (ii) the Group's use of price reduction strategy to attract customers.

Other income

The Group's other income for the Year mainly included (i) interest income from bank deposits; (ii) rental income; and (iii) government grants. Other income increased by 2.9% to approximately RMB5.68 million for the Year (2018: approximately RMB5.52 million) and such change was mainly due to the increase in government grants for the Year.

Other expenses

During the Year, the Group's other expenses decreased by 64.3% to approximately RMB0.91 million (2018: approximately RMB2.55 million), which mainly included expenses on acquisition of 51.7321% ownership interests in Bright Leap (details of which please see the section headed "Material Acquisition and Disposal of Subsidiaries and Affiliated Companies — Material Acquisitions Completed During the Year" in this report below).

Other gains and losses

The Group's other net gains amounted to approximately RMB3.68 million for the Year (2018: other net losses of approximately RMB4.03 million) and such change was mainly due to (i) the movement of exchange rate of RMB during the Year; (ii) the movement of the fair value of investment properties; and (iii) the movement of fair value of financial assets.

Impairment losses, net of reversal

During the Year, the Group's reversal of impairment losses, net of reversal, were approximately RMB0.17 million (2018: nil), including expected credit losses, net of reversal, for rental deposits, trade receivables, other receivables and contract assets.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 83.5% to approximately RMB3.12 million for the Year (2018: approximately RMB1.70 million) mainly due to the increase in staff salaries and welfare benefits as a result of the increased headcount of sales personnel to support the robust business growth in the Year.

Administrative expenses

The Group's administrative expenses increased by 228.7% to approximately RMB51.67 million for the Year (2018: approximately RMB15.72 million), mainly due to: (i) an increase in the relevant legal, professional and promotional fees arising from compliance by the Company with the additional regulations and rules regarding its Listing of the Shares on the Main Board on 28 December 2017 as well as the matters including the placement of convertible bonds, subscription of shares by connected persons, etc.; (ii) an increase in staff salaries and welfare benefits caused by the increase in number of administrative staff and staff salaries and welfare benefits have also been increased after the Company's shares are listed on the Main Board; (iii) the grant by the Company of in aggregate 40,000,000 share options, 30% of which are exercisable on the date of grant and become administrative expenses on that day, to grantees to subscribe for the same number of ordinary Shares of HK$0.01 each in the capital of the Company on 29 June 2018, while the other 30% of the share option expenses are also distributed in the first year of such grant; and (iv) rising rental expenses for larger office space due to relocation of the principal place of business in Hong Kong of the Company to 23/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong on 20 June 2018 to satisfy business development requirements.

Finance costs

The Group's finance costs increased by 49.7% to approximately RMB2.80 million for the Year (2018: approximately RMB1.87 million), mainly due to the corresponding bond interest expenses resulted from the bonds issued by the Group during this year (please refer to the section headed "Capital Structure, Liquidity and Financial Resources" in this report below for more details).

Research and development expenses

The Group's research and development expenses increased by 164.7% to approximately RMB5.32 million for the Year (2018: approximately RMB2.01 million), which was mainly due to more focus was placed on the research and development to further broaden the expertise and resources of the Group as a whole, as well as the abovementioned expenses of the share options.

Income tax expense

The Group's income tax expense decreased by 6.9% to approximately RMB12.06 million for the Year and the effective tax rate decreased by 1.1 percentage points to approximately 25.7%, mainly as a result of (i) the decreased profit before taxation; (ii) tax effect of expenses not deductible for tax purposes (mainly including Listing expenses) in 2018; and (iii) the increased additional tax benefit on research and development expenses.

Profit attributable to owners for the Year

As a result of the foregoing, the Group's profit attributable to owners decreased by 4.3% to approximately RMB33.95 million for the Year (2018: approximately RMB35.48 million), which was mainly due to the decrease in gross profit margin and significant increase in administrative expenses.

Capital Structure, Liquidity and Financial Resources

The Group adopted strict financial management policy, and its financial position remained sound. As at 31 March 2019, the Group's net current assets were approximately RMB227.06 million (31 March 2018: approximately RMB196.08 million).

As at 31 March 2019, the Group's bank balances and cash was approximately RMB61.68 million (31 March 2018: approximately RMB82.72 million). The current ratio (current assets to current liabilities) was approximately 2.5 times (31 March 2018: approximately 3.7 times).

As at 31 March 2019, the Group's total bank borrowings was approximately RMB25.63 million (31 March 2018: approximately RMB6.50 million).

On 31 August 2018, the Company, as an issuer, entered into the placing agreement with Eternal Pearl Securities Limited who acted as the placing agent. The placing agent has conditionally agreed to procure, on a best effort basis, independent placees to subscribe in cash for the bonds of an aggregate principal amount of HK$150,000,000. As of 31 March 2019, the Company issued bonds with an amount of HK$34,600,000. The bonds are transferable subject to the consent from the Company. The bonds will become due on the second to third anniversary of the issue date of the bonds. The bonds bear interest at a rate of 7% per annum, payable annually in arrears. Such proceeds will be used for general working capital of the Group.

Gearing Ratio

As at 31 March 2019, the Group's gearing ratio (calculated by dividing total borrowings (including bank borrowings and bonds payables) by total equity) was approximately 17.9% (31 March 2018: approximately 3.0%).

Capital Expenditure

For the Year, the Group's capital expenditure has increased by 528.9% to approximately RMB6.10 million (2018: approximately RMB0.97million), which mainly represented expenses for the purchase of office equipment, transportation equipment and club membership fee.

Capital Commitment

As at 31 March 2019, the Group had no significant capital commitment (31 March 2018: nil).

Currency Risk

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

Pledge of Group's Assets

As at 31 March 2019 and 31 March 2018, all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Material Acquisition Completed during the Year

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

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

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

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

The Acquisition was completed in January 2019. Details are set out in the announcements of the Company dated 13 and 21 September 2018.

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

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

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

Weitu Group

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

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

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

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

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

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

Material Disposal

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

Significant Investment

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

Future Plans for Significant Investments and Capital Assets

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

Employee and Remuneration Policy

As at 31 March 2019, the Group employed a total of 257 employees (31 March 2018: 143 employees). During the Year, staff costs (including Directors' emolument) was approximately RMB37.14 million (2018: approximately RMB15.26 million). By strictly following the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law (《勞動合同法》) and Labour Dispute Mediation and Arbitration Law (《勞動爭議調解仲裁法》), the Group recruits and promotes its employees based on individual development potential, talent and ability without discriminating against age, gender, race, nationality, religious and disability. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The Group regularly reviews remuneration policies and welfares of its employees. The 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 ("**Mr. Lai**"), which had been approved by the independent Shareholders on 17 May 2019.

MAJOR AWARDS AND CERTIFICATES

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

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

MAJOR COOPERATION AGREEMENTS ENTERED INTO DURING THE YEAR

Entering into Memorandum of Industry-Academia Research Cooperation with the School of Computer Science of Wuhan University*（武漢大學計算機學院）

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

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

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

Further details are set out in the announcement of the Company dated 24 July 2018.

Entering into the Strategic Cooperation Framework Agreement with Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司)

On 1 February 2019, the Company entered into a strategic cooperation framework agreement (the "**Strategic Cooperation Framework Agreement**") with Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司) ("**IAC**") (collectively, the "**Parties**"), pursuant to which the Parties will realise "industry 4.0" project by leveraging its strengths and expertise in the design, research and development, manufacture and sale of smart factories, consumer electronics products and smart wearable products. The Company and IAC are jointly responsible for product design and research and development, of which the Company is primarily responsible for marketing and business negotiation.

The Strategic Cooperation Framework Agreement shall be effective from its date of signature and remain valid for three years.

The Directors believed that the cooperation with IAC will combine their respective advantages and resources and maximise the strategic synergic effect on the Parties in jointly promoting the development of the smart industry in PRC and overseas.

Further details are set out in the announcement of the Company dated 4 February 2019.

* *for identification purpose only*

Promotion of Fire Safety Supervision System Project

By virtue of its expertise in IoT technology, combining with narrow-band IoT technology, the Company developed and operated a dynamic and real-time electricity and fire safety water pressure monitoring system ("**Fire Safety Supervision System**") project ("**FSM Project**") in the PRC. The Company is promoting FSM Project in the PRC, especially in Shenzhen. In March 2019, IBO Information entered into a legally binding construction contract in relation to the operation of Fire Safety Supervision System with a junior high school in Shenzhen, whereby IBO Information would be responsible for the design, installation and testing of Fire Safety Supervision System in such junior high school. The Company will continue to identify other potential customers in the PRC and promote the Fire Safety Supervision System to them. Further details are set out in the circular of the Company dated 25 April 2019.

BUSINESS OUTLOOK AND STRATEGIES

In recent years, policies and measures in relation to actively promoting smart city have been rolled out everywhere in the PRC. Nearly 300 cities have been included in the three batches of pilot smart cities announced with more than 10 relevant state policies. "Report of Prospects and Investment Forecast on China Smart City Construction (2019–2024)" (《2019–2024年中國智慧城市建設發展前景與投資預測分析報告》) released by Forward Business Information Co., Ltd. pointed out that, the market of smart cities will exceed RMB10,000 billion in 2019 and reach RMB25,000 billion in 2022. IoT market is expected to make an unprecedented breakthrough. The Group will grasp and take advantage of the market opportunities coming along with the state policy.

Actively expanding and developing new projects, seeking long-term strategic cooperation with business partners

The continuous growth and increase in market share of the Group's major business, namely provision of comprehensive IoT intelligent terminal product applications and solutions services in the PRC, will create more business opportunities and projects in future. The Group will keep actively expending and developing new projects and seek long-term strategic cooperation with business partners, especially the cooperation projects, including those mentioned under "MAJOR COOPERATION AGREEMENTS ENTERED INTO DURING THE YEAR" and "EVENTS AFTER THE REPORTING PERIOD — Establishing Strategic Cooperation Relationship and Entering Into Agreement for Construction of Digitalisation Project of Smart Livestock Industry in Tongliao with the Tongliao Agriculture and Livestock Bureau" in this report.

To intensify research and development efforts and diversify products and services

In view of the stricter requirements of the Chinese government for fire safety supervision system to strengthen the fire safety management level, the Group will comply with relevant policies, intensify the research and development efforts for intelligent fire safety supervision system and upgrade the products.

In addition, the Group has successfully developed smart wearable device for cattle to monitor their health, which is expected to launch soon. The Group has formed strategic partnerships with different research institutes and universities during this Year, including cooperation with Wuhan University to promote research and development of artificial intelligence (AI), big data and intelligent software; and extensive cooperation with Shenzhen University and its affiliated research institution, Shenzhen University China-Australia BIM and Intelligence Construction Joint Research Center (深圳大學中澳BIM與智慧建造聯合研究中心), in the field of urban smart construction and Artificial Intelligence for IT Operations (AIOps); and the development, construction and operation of digital project in beef cattle industry with the Institute of Animal Science of CAAS ("**Institute of Animal Science**") to provide whole industry chain ecological service for local governments and beef cattle producing areas. In the future, the Group will strategically map out its development plans in high-potential areas to diversify its products and services through continuous technological innovation and achievements transformation.

Gateway to China, capturing global opportunities

The Group will continuously step up marketing efforts, secure new customers and further consolidate its market position as a leading IoT intelligence terminal product application and solution services provider. During the Year, the Group continuously expanded its market share in China and expanded its client base through strategic partnerships and acquisitions, and created cross-border sales opportunities such as fire safety, education, animal husbandry and agriculture areas. At the same time, the Group is keen to accelerate overseas expansion and actively explore potential markets in Europe, America, Japan, India and Southeast Asia. In the future, the Group will step into the overseas retail business of laptops, smart wearables, consumer electronics, smart home appliances and consumer electronic products, and further build a collaborative and global international marketing network system.

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

As China's IoT industry is entering the "Trillion Era" in terms of scale, it is expected to continue the rapid growth in the future. The Group will continue its business expansion and cooperate with large IT companies to leverage their respective strengths to integrate market resources and develop potential "Smart City" sectors, such as smart agriculture and animal husbandry industry, smart factories, consumer electronics, smart wearables, smart transportation, cloud platform for urban public service administration Software-as-a-Service (SaaS), etc. The Group will strive to enrich its product and service portfolio to meet the huge market demand and to promote its long-term horizontal and vertical development while broadening its revenue sources.

To identify beneficial strategic investment opportunities

The future of IoT market is promising. According to the information of China Academy of Information and Communications Technology, the IoT market is expected to soar from RMB930 billion in 2016 to RMB1.83 trillion in 2020. Certain research institute predicts that the market for RFID in Industry 4.0 will grow from USD$812 million in 2017 to USD$2,153 million in 2025. The Group will closely follow the demand of IoT market, accelerate the development of upstream and downstream businesses on the IoT industry chain and improve its operational efficiency to maintain our leading position in the IoT technology application market. The Group will continue to identify strong domestic and overseas business partners and introduce more opportunities to enhance business growth and strength.

The Group is also exploring opportunities for acquisition to expand its existing businesses and promote diversified development to improve Shareholders' returns.

Summary

As the global IoT industry moves into a strategic upgrade era, the Group will strengthen product and service innovation and seize opportunities for diversified development in order to achieve ideal growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IBO Technology Company Limited ("IBO", the "Group" or "We") is a national high-tech enterprise focusing on the provision of integrated and customized system solutions with the use of IoT technology in the China region. We have four lines of businesses, namely system integration, intelligent terminal product sales, software development and system maintenance services. This report will describe our environmental, social and governance (ESG) management strategies and performance from 1 April 2018 to 31 March 2019 ("2018/19 Fiscal Year" or "Reporting Period"), showing our pursuit of sustainable development in the economic, environmental and social aspects, as well as the importance we have placed on the stakeholders, covering the businesses of system integration, intelligent terminal product sales, software development and system maintenance services of the Group's subsidiaries in Hong Kong, Shenzhen and Xinjiang. Therefore, the Group hereby compiles this report in accordance with Appendix 27 of HKEx Main Board Listing Rule — Environmental, Social and Governance Reporting Guide (ESG Guide).

GOVERNANCE STRUCTURE AND RISK MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY

The Group has established a corporate social responsibility governance structure divided into three main components, namely the Board, the ESG Working Group and employees, who are committed to meeting shareholders' expectations for ESG practices. The Board authorizes the ESG Working Group to perform all daily work relating to corporate governance and corporate social responsibility. The working group consists of the corporate development department, the finance department and the human resources department. The responsibilities of the working group include internal and external materiality assessments, execution of strategies and policies of the Board, preparation of the ESG reports, as well as the collection and monitoring of information and data relating to the daily corporate social responsibility.

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

COMPLIANCE

In order to ensure the compliance of the Group, we have established the List of Laws, Regulations and Standards (《法律法規、標準規範清單》), which sets out the major laws and regulations relating to the daily operations and business of the Group. The Group's legal department and corporate development department are responsible for regularly tracking and understanding the update of regulations, and notifying relevant departments in time to comply with the latest laws and regulations, fully implementing the compliance principle.

STAKEHOLDER ENGAGEMENT

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

Stakeholders	Engagement Method
Investors and shareholders	• Annual General Meeting and Notice • Regular corporate publications, including financial statements • Circulars and announcements (if necessary) • Company website • Sending enquiries and suggestions to the Company's principal place of business • Enquiries via telephone and in writing (if necessary)
Employees	• Internal emails and publications • Meetings and briefings • Trainings • Employee activities • Performance appraisal
Customers	• Company website • Customer service hotline • Customer survey • Customer interviews and meetings • After-sale feedback
Suppliers and business partners	• Business meetings • Performance appraisal • Field visit
Government and regulatory authorities	• Verbal and written communication (if necessary)
Community groups and the public	• Social service • Charity events • Public consultation email
Media	• Company website • Press release

MATERIALITY ASSESSMENT

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

- Identification of potential issues: Initial screening of related issues with reference to the ESG Guide and benchmarking suitable peers' material ESG issues;
- Stakeholder engagement: Establishing stakeholder engagement channels through which internal and external stakeholders are invited to rate and comment on each ESG issue via questionnaires;
- Prioritization: Consolidating the results from stakeholder engagement and identifying issues to assess and prioritize ESG risks;
- Validation: Our ESG Working Group has validated and confirmed the key material ESG issues, and how they link to the respective aspects of KPIs under the ESG Guide.

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

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

GUIDE REQUIREMENTS

A. ENVIRONMENTAL

A1 Emissions

Section A1: Emissions

General Disclosure
(a) the policies;

(Not Applicable)
A1.1
A1.3
A1.5
A2.5

The design and sales of intelligent terminal products, one of our four business lines, involve production and the Company has employed third-party manufacturers to process and assemble products based on the prototypes designed by us.[1] Other businesses, including system integration, software development and system maintenance services, do not involve production and have no direct impact on the environment. The Group has formulated the Procedures for Environmental Factor Identification and Evaluation and regularly identifies environmental factors in activities, products or services in accordance with the procedures as well as screens and evaluates major environmental factors to conduct effective management activities for them. We carry out quantified evaluation on environmental factors based on the frequency of occurrence, scope, extent and duration of the impact, public concern and other criteria and then formulate and implement environmental management approaches, operational instructions, and set up environmental control points where appropriate.

For third-party manufacturers, the Group informs the other party of our environmental policy, requires their cooperation with the environmental management business, and where practical, checks relevant parties' environment-related issues on site. The Group also requires third-party manufacturers to strictly abide by environmental laws and regulations in relation to waste gas, sewage, soil pollution and waste.

KPI
A1.2

Greenhouse Gas Management
Electricity consumption in offices is the main contributor to the Group's indirect emissions of greenhouse gases. The Group generated totally 48.74 tons of carbon dioxide equivalents[2] during 2018/19 financial year (2017/18 financial year: 48.03 tons). For detailed measures on energy conservation and emission reduction, please refer to section A2 Use of Resources.

KPI
A1.4
A1.6

(b) Compliance with relevant laws and regulations that have a significant impact on the issuer

Non-hazardous Waste Management
The primary non-hazardous waste produced by the Group is waste paper used in offices, which was 640 kilograms during the reporting period (2017/18 financial year: 610 kg). In order to reduce the amount of used paper, the Group has implemented a series of measures to reduce the number of paper used in offices. Most of the Group's business processes are carried out in electronic systems, including the release of electronic versions of management manuals and procedures through the Company's intranet, reducing the amount of paper used for copying and updating documents. When the use of paper is necessary, we encourage employees to print on both sides and to reuse paper. Electronic methods, such as instant messenger software, e-mail and phone call, are used for most daily communication and information transfer, reducing the dependence on written communication.

We have identified environment-related laws and regulations that have significant impacts on the Group, including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and the Law of the People's Republic of China on Environmental Impact Assessment and have ensured that the Group has strictly complied with these environment-related laws and regulations. In 2018/19 financial year, there were no major violation against environmental laws and regulations which have come to the attention of the Group.

1 As the business aspect and nature of the Group is application and service of high and new technology, the operation process of the Group does not involve material and direct emission of gas as well as discharges of waste water and hazardous waste. Therefore, related disclosure is not applicable to the Group.

2 The above number of greenhouse gas emission is calculated in accordance with The Greenhouse Gas Protocol published by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong issued by the Environment Bureau, Sustainability Report 2018 issued by HK Electric, 2017 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and Greenhouse gas reporting-Conversion factors 2018 issued by Department for Business, Energy & Industrial Strategy of the United Kingdom Government.

A2 Use of Resources

Section A2: Use of Resources

General Disclosure
Policies for effective use of resources, including energy, water and other raw materials

The use of resources in offices is the main source of indirect greenhouse gas emissions of the Group. Therefore, we are committed to reducing energy consumption from various aspects such as lighting, air-conditioning and water conservation, and contributing to slowing down the global climate change. We has closely monitor the use of resources, strengthen our employees' awareness of environmental protection through training and communication, and emphasize the importance of following the Group's environmental policies. According to the Procedures for Environmental Factor Identification and Evaluation, we assess the rating for the use of resources in the processes of office activities and services by dividing the results into four levels, namely good, reasonable, waste and severe waste, and keep the monitoring records. The business activities and processes identified as resource-wasting will be controlled by responsible departments by developing control policies, which will be reviewed and approved by the management and implemented by responsible departments.

KPI
A2.1
A1.2
A2.3

Electricity Consumption Efficiency
The most primary resource used by the Group is electricity. The Group purchased and consumed 81,810 kWh for the year 2018/19 and the intensity of electricity consumption was 24.10 kWh per office square meter (2017/18 financial year: 77,598 kWh; 23.09 kWh per office square meter). The Group has been actively advocating the green office concept and promoting a variety of energy conservation measures, including:

- Installing high performance lights and appliance, and give priority to personal office equipment with energy labels;
- Ensuring that non-essential power sources, such as computers, computer monitors and lighting, are turned off after work to reduce electricity consumption;
- Switching the computers to sleep mode when left idle;
- Air-conditioning in the office is constantly set at 24-26 degrees;
- Regularly maintaining and inspecting daily electrical facilities to ensure there are no abnormalities in their power consumptions;
- Affixing "Saving Energy" stickers near the main switches as a reminder to our employees;
- Advocating electricity conservation awareness by means of regularly sending emails to groups and providing trainings, and educating employees to reduce wastage in small details of daily lives;
- Security personnel are asked to turn off the air-conditioning switch of the company after work each day to avoid the wastage of electricity

KPI
A2.4
A2.2

Water Consumption Efficiency
The Group purchased and consumed 1,213 cubic meters of water for the year 2018/19 and the intensity of water consumption was 0.36 cubic meters per office square meter (2017/18 financial year: 2,062 cubic meters; 0.61 cubic meters per office square meter). The significant reduction in water consumption was due to the Group's renovation work in 2017/18 financial year. As a result, the Group's water consumption in 2017/18 financial year was higher than that in 2018/19 financial year. Since our business does not involve significant use of water, our water consumption mainly comes from washrooms and pantry in offices. The water is sourced from the government water supply system and the water supply is managed by the office's property management company without problem in finding applicable water sources. Paying attention to water consumption and aiming at using water in the most efficient way, the Group has implemented water conservation programs in the office, including enhancing the daily maintenance of water supply equipment to avoid leakage due to damage, adopting inductive taps, posting slogans to remind employees to save water, adjusting water valves to the position with minimum water consumption, encouraging employees to report leakage problems, etc. All of these measures are intended to reduce unnecessary wastes.

A3 Environment and Natural Resources

Section A3: Environment and Natural Resources

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

KPI
(Not applicable)
A3.1

Environmental Management System
The nature of the Group's business does not involve highly pollutant production and operation procedures, so we will not create a significant impact on the environment and natural resources. However, we are dedicated to taking measures to address the energy efficiency and environmental protection needs, and have already established and improved the environmental management system which has been awarded the ISO14001:2015 environmental management system certification. We will continuously assess and control the potential impacts of our business activities on the environment. We take into account the past, current and future conditions of our business activities and consider the environmental impacts under normal, abnormal or emergency operations. We take factors that have impacts on the environment such as noise, material radioactivity, soil pollution, resource consumption, greenhouse effects, etc. into consideration. When changes in departments' activities, products, services or external conditions cause changes in environmental factors, relevant departments will re-evaluate environmental factors and carry out measures to minimize such impacts. We conduct daily monitoring and assessment, and have established a comprehensive treatment mechanism so that abnormalities and accidents that have a significant impact on the environment and natural resources can be timely reported and response plans can be developed. The investigation mechanism is also in place for post evaluation. We have also clearly defined the responsibilities of each post and provide training on professional skills and environmental control procedures for posts relating to important environmental factors.

B. SOCIAL

B1: Employment

Aspect B1: Employment

General Disclosure
Information on:

(a) the policies;

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

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

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

Compensation, Benefits and Promotion

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

The Group has strictly complied with the Labor Law of the People's Republic of China, Labor Contract Law of PRC and Employment Ordinance in Hong Kong. The paid salaries are also in compliance with the statutory minimum wage. In 2018/19 financial year, there were no major violation against the employment laws and regulations which have come to the attention of the Group.

B2 Health and Safety

Aspect B2:
Health and Safety

General Disclosure
Information on:
(a) the policies;

Safety Risk Management and Training

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

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

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

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

We have conducted regular safety inspections, supervision and audits to ensure compliance with laws and regulations, including the Labor Law of the People's Republic of China, Production Safety Law of the People's Republic of China, Measures for the Administration of the Nursing of Occupational Disease Patients and Regulation on Work-Related Injury Insurances. In 2018/19 financial year, there were no major violation against laws and regulations in relation to the health and safety of employees which have come to the attention of the Group.

B3 Development and Training

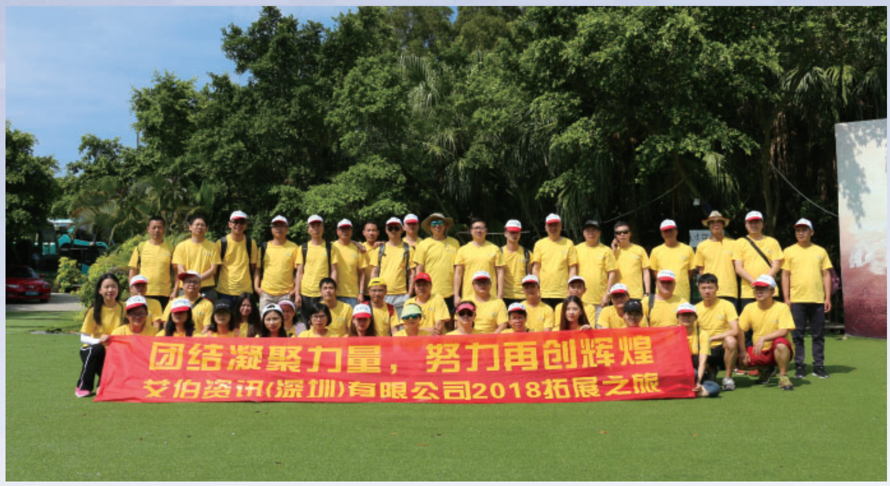
Aspect B3: Development and Training

General Disclosure
Policies on improving employees' knowledge and skills for discharging duties at work.
Description of training activities.

Employee Training Management

The training structure of the Group is "recruitment, in-service and further improvement", aiming to continuously improve the profession level and job skills of employees, in order to meet the needs of sustainable development of the Company. The Group's training policies and systems have been elaborated in the Internal Training Management System and the Expatriate Training Management System. The internal or external trainings are arranged based on the consideration such as training contents, training targets and training costs. With induction training, new employees understand basic business processes, rules and regulations, corporate culture and organizational structure as soon as possible, helping the employees to integrate into the Company. As for the employees in service, the training contents will focus on the knowledge of professional skills and job requirements. It combines with a variety of teaching methods such as courses, multimedia, on-site demonstration and detailed textbooks so as to convey knowledge and skill. For employees with great potential, the Group will provide them with additional training, including cross-departmental comprehensive training, or arrange external professional training for them. Employees can receive subsidies after approval by the management, which help further improve the professional knowledge and skills of the employees. For the management, the Group also provides training to enhance their integrated management skills, such as strategy management, resource management and personnel management.

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



B4 Labour Standards

Aspect B4: Labour Standards

General Disclosure
Information on:

(a) the policies;

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

Prevention of Child and Forced Labour

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

In 2018/19 financial year, the Group has strictly complied with the Labor Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labor. There were no major violation against the laws and regulations relating to the prevention of child labor and forced labor which has come to the attention of the Group.

B5 Supply Chain Management

Aspect B5: Supply Chain Management

General Disclosure
Policies on managing environmental and social risks of the supply chain.

Supplier Evaluation Mechanism

The Group pays attention to the cooperation with suppliers and considers this as the fundamental guarantee for development of corporate strategy. We value communication with our suppliers, emphasizing our requirements for our suppliers relating to the products and services. We take technical standards, quality control standards and environmental and occupational health and safety management system requirements into the considerations in reviewing the suppliers. We also collect and review their business licenses and qualifications. If necessary and possible, we will conduct on-site review for the suppliers to ensure their compliance. Only those who pass the assessment can be included in the Qualified Supplier Directory. At the same time, suppliers must commit to comply with relevant laws and regulations. In order to achieve the Group's environmental and social risk management policies, we will also communicate with suppliers in a timely manner and request their cooperation to commence relevant management measures.

B6 Product Responsibility

Aspect B6:
Product Responsibility

General Disclosure
Information on:
(a) the policies;

Quality Control

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

We also implement quality standards and quality control procedures for software products to ensure that product design meets the quality requirements of our customers and that we focus on continuously improving the quality of our software products. We will review and inspect the quality requirements and target conditions at different stages of project design, development and completion. By conducting a series of system tests and program tests, the actual results are compared with the expected results, in order to find any differences and areas for improvement, and strive for excellence. Therefore, we ensure that each customer's needs are met and that the standard and outcome of every product is consistent.

Customer Service

The Group arranges personnel-in-charge to communicate with the customers in the pre-project, in-project and post-project phases of the products and services, in order to understand customer needs, safeguard customer rights and continuously improve the quality of our services. We will understand the expectations of our customers in details by communication before the project operates, and design a customer-oriented project plans that satisfies our customers' needs. During the execution process of the project, we will also closely communicate with the customers about the progress of the project, and accept opinions about the quality and services. Training programs and materials will also be provided when necessary to ensure that customers have a clear understanding of the usage of our projects. After the completion of the project, we will also provide the customers with timely maintenance services and technical consultation, and will collect their feedbacks on the quality of the project and services and report to other relevant departments. As such, we continuously improve the quality of our products and services.

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Customer Information and Privacy

The Group has formulated relevant internal controls to protect customer information. There are clear guidelines available for the collection, storage, use and destruction of customer information. We have also adopted multiple measures to prevent leakage. Meanwhile, we have established a series of control procedures relating to data security such as firewall, password policies, user management, server room regular inspections, etc., to reduce the risk of leaking customer data. In addition, the Group emphasizes on the importance of customer information confidentiality by email notice, training and daily communication, and conduct regular checks for each safety and security measure. Relevant requirements on customer information confidentiality are set out expressly in the Employee Handbook, and all newly recruited employees must sign a non-disclosure agreement with the Group, agreeing to keep confidential the Group's data including customer information.

We have strictly complied with the Product Quality Law of the People's Republic of China and Law of the People's Republic of China on the Protection of Consumer Rights and Interests. In 2018/19 financial year, there were no major violation against the laws and regulations relating to product and service quality and customer privacy which have come to the attention of the Group.

B7 Anti-Corruption

Aspect B7: Anti-corruption

General Disclosure
Information on:

(a) the policies;

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.

Prevention of Bribery, Extortion, Fraud and Money Laundering

The Group strictly prohibits all forms of bribery, extortion, fraud and money laundering, continuously improving the anti-corruption management system. The Group has maintained extremely strict requirements for employees' codes of conduct and integrity. Employees' codes of conduct and every integrity-breaching behavior, as well as the accountability and punishment decision is expressly stipulated in the Employee Handbook. Employees are asked to sign a statement at the time of entry agreeing to abide by related provisions. If an employee violates the codes of conduct stipulated in the Employee Handbook, the labor contract may be terminated, the employee may have to recover the related loss, and the case may be transferred to the law enforcement agency depending on the severity.

We have complied with the Anti-Unfair Competition Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China. In 2018/19 financial year, there were no major violation against the laws and regulations relating to prevention of bribery, extortion, fraud and money laundering which have come to the attention of the Group.

B8 Community Investment

Aspect B8: Community Investment

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

Funding Students and Alleviating the Poverty

The Group is committed to shouldering social responsibilities and pleased to give back to society. We pay close attention to social issues and integrate social development needs into our corporate business decisions. Therefore, we set up the IBO Charity Fund in January 2018 with a purpose of funding students and alleviating the poverty, helping more people in need. The Group facilitated the "IBO Charity Fund" in May 2018 to fund the installation of 124 solar stress lights in Hongxing Village of Shuangyu Town in Yangchun City in the Guangdong Province. In addition, in August 2018, we , together with the Shuangyu Town Education Promotion Association in Yangchun City in the Guangdong Province carried out a Student Funding Project , rewarding 39 undergraduate students from key universities, 1 PhD student, 65 high school students and junior high school students from key high schools and middle schools, 65 outstanding teachers and 100 needy primary and middle school students. In September 2018, we also facilitated the Education Association Fund and the IBO Charitable Foundation to jointly carry out charitable activities to support needy students of Shanchengzi Primary School in the Hongshui Xiang of Minle Province in the Zhangye City, as well as the disabled children in the Warm Day-care Centre in Shandan County in Gansu Province, so as to improve the living conditions of those in need.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lai Tse Ming (黎子明先生), aged 56, is the founder of the Group, the chairman of the Board and the nomination committee and an executive Director, the group leader of Deepening Reforms and the director of the Investment Decision-making Committee. Mr. Lai is the controlling Shareholder. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the Group. Mr. Lai is the chairman of Abacus International Group Company Limited and IBO Information. He is also a director of each subsidiary of the Company except IBO Shenzhen Digital Limited* (深圳市艾伯數字有限公司), each member of Weitu Group and IBO Intelligence (Shenzhen) Limited* (艾伯智能(深圳)有限公司). Mr. Lai has approximately 19 years of experience in the industry of information technology. Before founding the Group, Mr. Lai has been also the founder and chairman of Gee Fung Group Limited (principally engaged in general trade) since 1995. Mr. Lai received a diploma in special zone economics (特區經濟學) from Jinan University (暨南大學) in 1988.

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

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

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

Mr. Gao Weilong (高偉龍先生), aged 48, is the chief executive officer and an executive Director, the deputy director of the Investment Decision-making Committee and the director of the Performance Review Committee. He is also the chairman of IBO Shenzhen Digital Limited* (深圳市艾伯信息科技有限公司) and the director of IBO Shenzhen Digital Limited* (深圳艾伯數字有限公司), both of which are the subsidiaries of the Company. He is responsible for overall management of the Group. He joined the Group in March 2006. Mr. Gao has approximately 27 years of experience in engineering and management. Prior to joining the Group, his primary working experience includes: an engineer and subsequently promoted to chief design engineer of China Southern Airlines Power Machinery Company* (中國南方航空動力機械公司) (principally engaged in the manufacturing of aircraft engines, as well as the research and development and manufacturing of motorcycles) from August 1992 to December 2001; a senior engineer of Minghua Environmental Automobile Company Limited* (明華環保汽車有限公司)(principally engaged in the research and design of the gasoline-electric hybrid vehicles and the components thereof) from January 2002 to May 2002; a managing engineer of TCL King Electronics (Shenzhen) Company Limited* (TCL 王牌電子(深圳)有限公司) (principally engaged in the research and development, manufacturing and sales of electronic products) from August 2002 to April 2003; a performance management supervisor of Shenzhen Southern CIMC Containers Manufacture Company Limited (深圳南方中集集裝箱製造有限公司) (a subsidiary of China International Marine Containers (Group) Company Limited, a company listed on the Stock Exchange (stock code: 2039) and the Shenzhen Stock Exchange (stock code: 000039) and principally engaged in the manufacturing of containers) from January 2004 to February 2006. Mr. Gao received a bachelor degree in automotive engineering in tractor (汽車工程系汽車拖拉機) from Chongqing University (重慶大學) in July 1992, a master degree in engineering in power mechanical engineering from Wuhan Automotive Polytechnic University (武漢汽車工業大學) (now known as Wuhan University of Technology (武漢理工大學)) in March 2000 and a Master of Business Administration (工商管理) from Peking University (北京大學) in June 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Teng Feng (滕峰先生), aged 44, is the chief technical officer and an executive Director, the director of the Technology Development Committee and the director of IBO Research Institute of Science and Technology. He is responsible for formation and management of the technical team of the Group. He joined the Group in November 2009. Mr. Teng has approximately 15 years of experience in research and development of wireless communication products and electronic label products. Prior to joining the Group, his primary working experience includes: a manager of the hardware department of Shenzhen Aerospace Intelligence Telecommunications Limited* (深圳市航通智能有限公司) (principally engaged in the development, sales and the relevant technical information of computer software and hardware, communication network devices and Global Positioning System integration) from November 2002 to September 2003; a general manager of the products department of Guangzhou Longsun Network Technology Company Limited*(廣州朗昇網絡科技有限公司) (principally engaged in computer network system engineering services) from January 2005 to April 2008; a technical director of Shenzhen An Zhi Mao Network Communications Company Limited* (深圳市安智貿網絡通信有限責任公司) (principally engaged in the technology development of network communication devices) from May 2008 to July 2009. Mr. Teng received a bachelor degree in engineering in automation in electrical equipments and measurement techniques (自動化系電子儀器及測量技術) from University of Electronic Science and Technology of China (中國電子科技大學) in July 1998 and a master degree in electronics and communication engineering (電子與通信工程領域) from Tsinghua University (清華大學) in January 2007.

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

Mr. Lyu Huiheng (呂惠恒先生), aged 40, is an executive Director. He is responsible for supervising legal related matters of the Group. He joined the Group in May 2017. Mr. Lyu is qualified to practice law in the PRC since June 2008 and possesses extensive experience in the legal field. He had been working as a lawyer in Beijing Jincheng Tongda Law Firm* (金誠同達律師事務所) from June 2008 to November 2009 and Beijing Huicheng (Shenzhen) Law Group* (北京市惠誠(深圳)律師事務所)from January 2011 to November 2012. He was a lawyer in Beijing Jurisino (Shenzhen) Law Group* (北京市時代九和(深圳)律師事務所) from December 2012 to June 2018; and since July 2018, he worked as a lawyer in Shanghai Hiways (Shenzhen) Law Firm* (上海市海華永泰(深圳)律師事務所). Mr. Lyu is a deputy general manager in Shenzhen Liandao Capital Management Co. Ltd.* (深圳市聯道資產管理有限公司) (principally engaged in investment banking and private equity investment management) since March 2016. Also, he has been a director of Union Way International Investment Group Limited (聯道國際投資集團有限公司) (principally engaged in provision of financial advice) since March 2016; and from September 2016 to June 2018, he was a director of Union Films Limited (合眾影業有限公司) (principally engaged in production shooting projects). Mr. Lyu has been a chairman' s assistant of Shenzhen Jimmy Chemical Technology Co., Ltd.* (深圳市超美化工科技有限公司) (principally engaged in manufacturing of car care and fuel additive products) from April 2006 to June 2008. Mr. Lyu received a Bachelor of Laws Degree from Shenzhen University in July 2002 and a Master of Laws Degree in International Economic Law from The University of Warwick in January 2005.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. He Tianxiang (何天翔博士), aged 35, is the independent non-executive Director. He was appointed as an independent non-executive Director on 6 December 2017. He is currently an assistant professor in the School of Law in the City University of Hong Kong since August 2016. Dr. He received a Bachelor of Laws Degree from Huaqiao University (華僑大學) in July 2007, a Master of Laws Degree in International Law from Jinan University (暨南大學) in June 2009. He also received a Doctor' s degree in the Faculty of Law from Maastricht University in July 2016 and a Doctor' s degree in Criminal Law from Renmin University of China (中國人民大學) in January 2017.

Dr. Wong Kwok Yan (黃國恩博士), aged 54, is the independent non-executive Director and the chairman of the Remuneration Committee. He was appointed as an independent non-executive Director on 6 December 2017. He is a solicitor in Hong Kong and has over 20 years of experience in the legal profession. Dr. Wong has been the principal of Christopher K. Y. Wong, Solicitors since June 2005. Dr. Wong has obtained the following professional qualifications: Chartered Member & Associateship of the Textile Institute (U.K.) in 1990; Civil Celebrant of Marriage in 2006; China-Appointed Attesting Officer in 2009; Arbitrator of Shenzhen International Court of Arbitration/South China International Economic and Trade Arbitration Commission in 2015. Dr. Wong has been an appointed member of the Wong Tai Sin District Council from 2008 to 2011 and 2012 to 2015. Dr. Wong graduated from the Hong Kong Polytechnic University with the academic qualification of Associateship in Textile Technology in 1988. He accomplished the Common Professional Examination of England and Wales jointly organised by the Manchester Metropolitan University (UK) and the University of Hong Kong in 1993. In 1995, he completed the Postgraduate Certificate in Laws from the University of Hong Kong. Dr. Wong was awarded a Bachelor of Laws Degree by the Peking University (北京大學) in 2002, a Master of Laws Degree in Chinese and Comparative Law by the City University of Hong Kong in 2005, and a Doctor of Laws Degree in Environmental and Resource Protection Law by the Renmin University of China (中國人民大學) in 2012.

Mr. Hung Muk Ming (洪木明先生), aged 54, is the independent non-executive Director and the chairman of the Audit Committee. He was appointed as an independent non-executive Director on 6 December 2017. Mr. Hung has over 25 years of experience in auditing, finance and accounting. Since February 2017, Mr. Hung has been a director of Hua Guan New Materials Company Limited* (華冠新型材料股份有限公司), a subsidiary of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in steel production. From February 2005 to February 2017, Mr. Hung was the group financial controller of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. Hung was the group financial controller of Hoi Meng Group* (開明集團). From July 2001 to September 2002, Mr. Hung worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. Hung was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. Hung was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. Hung is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Industries Ltd. (Stock code: 171), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange and an independent non-executive director and chairman of the remuneration committee of China Animation Characters Co. Ltd. (Stock code: 1566), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. Hung was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange. Mr. Hung received a bachelor ' s degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. Hung obtained a master' s degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. Hung has been a Certified Tax Adviser since July 2010, a member of the Taxation Institute of Hong Kong since June 2010, a fellow member of the Hong Kong Institute of Directors since November 2009, associate of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Peng Jinzhi (彭金志先生), aged 56, is the deputy financial controller and the deputy general manager of the Financial Management Department of the Group and is responsible for the overall management of the financial matters of IBO Shenzhen. Mr. Peng joined us in April 2002. Prior to joining the Group, his primary working experience includes: an accountant of Jiangxi Department Store Textile Company* (江西省百貨紡織品公司) (principally engaged in the sales of general merchandise, textiles, cultural products, metal hardware, chemicals and furniture) from March 1983 to September 1994; a general manager of the finance department of Xiamen Yincheng Company Limited* (廈門銀城股份有限公司) (principally engaged in brewing of beer, production of natural mineral water, drinks, canned foods and glassware, and wholesale and retail of beer, foods, drinks and cigarettes (retail only)) from September 1995 to October 1998; a deputy general manager and finance manager of Shandong Zouping Chaoyi Packaging Color Printing Limited* (山東鄒平超藝包裝彩色印刷有限公司) (principally engaged in processing and sales of packaging, prints, plastic films, cartons and household paper) from November 1998 to November 2001. Mr. Peng graduated from Jiangxi Institute of Finance* (江西財經學院) (now known as Jiangxi University of Finance and Economics (江西財經大學)) with a diploma in accounting (會計) in June 1991. Mr. Peng has been a member of the Chinese Institute of Certified Public Accountants and a certified tax agent since November 2003 and January 2005 respectively.

Mr. Pang Chun Yip (彭俊業先生), aged 39, is the finance manager and company secretary and is responsible for the overall management of the accounting, financial compliance and secretarial matters of the Group. Mr. Pang joined the Group in May 2017. Mr. Pang has over 10 years of experience in accounting. Before joining the Group, from January 2005 to October 2006, he worked at Wong Kwok Tai & Co. as an audit trainee and was subsequently promoted to an audit semi-senior. During the period of March 2007 to August 2008, Mr. Pang was a semi-senior auditor at Y. L. Ngan & Company Certified Public Accountants. During the period of October 2008 to January 2015, he worked as an assistant accountant in Hanison Construction Company Limited. In January 2015, Mr. Pang joined Wang Kei Yip Development Limited and acted as a senior accountant until August 2015. From September 2015 to November 2016, Mr. Pang worked at China Overseas (Hong Kong) Limited as an accountant. Mr. Pang was a senior accountant in Big Success Accounting Services Limited from November 2016 to February 2018; and in January and March 2019, he was appointed as the authorized representative and company secretary of Hao Cheng Holding Limited. Mr. Pang graduated from The Chinese University of Hong Kong with a bachelor degree in business administration in December 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

Mr. Lai Kam Man (黎錦文先生), aged 31, is the assistant to the chairman of the Board, the deputy general manager of the Corporate Development Department and is responsible for the overall management of project development of the Group. Mr. KM Lai is the son of Mr. Lai. He joined the Group in August 2013. Mr. KM Lai graduated from Jinan University (暨南大學) with a bachelor degree in international economics and trading (國際經濟與貿易) in July 2013.

Mr. Gan Xianqing (甘顯清先生), aged 35, is the assistant to the chairman of the Board and the office director and the general manager of the Corporate Development Department of the Group and is responsible for the overall management of the operational matters of the Group. He is also a director of IBO Shenzhen, 深圳市艾伯數字有限公司 (IBO Shenzhen Ditigal Limited), 深圳市艾伯信息科技有限公司, each member of Weitu Group and 艾伯智能(深圳)有限公司 (IBO Intelligence (Shenzhen) Limited). Mr. Gan joined us in July 2008 as a secretary of the chairman. He graduated from South China Agricultural University (華南農業大學) with a bachelor degree in management in marketing (市場營銷) in July 2008.

Mr. Wang Changhan (王昌漢先生), aged 57, is the general manager of system maintenance of the Group and the vice president of IBO information and is responsible for the overall management of the operational maintenance in system information service technology of the Group. Mr. Wang joined us in June 2004. Prior to joining the Group, Mr. Wang was an accountant of Yangchun Supply and Marketing Cooperatives* (陽春市供銷社) (principally engaged in the wholesale, retail and processing of agricultural products) from August 1981 to March 1984. Since April 1984, Mr. Wang worked for different branches in Industrial and Commercial Bank of China. Mr. Wang joined the Yangchun Branch as an accountant in the business department in May 1984, and his last position in the Yangchun Branch was a manager in the credit business department. Mr. Wang was promoted to a vice president of the Jiangcheng Branch in Yangjiang City in 1988 and was further promoted to a branch president of the Yangxi branch in 1998. Mr. Wang graduated from Party School of the Guangdong Provincial Committee* (中共廣東省委黨校) with a bachelor degree in economics management (經濟管理) in December 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu Fujian (朱福建先生), aged 43, is the sales director of the Group and the president of IBO information and is responsible for the overall management of the sales matters of the Group. Mr. Zhu joined us in July 2003. Prior to joining the Group, his primary working experience includes: a technician of Guizhou Shuangyang Aircraft Factory* (貴州雙陽飛機廠) (principally engaged in the development, manufacturing, sales and services of electronic products, and the development, provision of technological advice and technical services of computer software) from August 1999; a software engineer of Shenzhen Weixin Intelligence Technology Company Limited* (深圳市威信智能技術有限公司) (principally engaged in the technology development of intelligent monitoring products and computer application system) from December 2001 to October 2002; a software engineer of Shenzhen Xifeng Group Institute* (深圳市西風集團研究院) (principally engaged in the research and development of network technology, network software, digital TV broadcasting technology and optical communication technology) from April 2003 to December 2003. Mr. Zhu graduated from Shenyang Aviation Industry School* (瀋陽航空工業學院) (now known as Shenyang Aerospace University (瀋陽航空航天大學）) with a bachelor degree in aircraft manufacturing engineering (飛行器製造工程) in July 1999 and Lanzhou Jiaotong University (蘭州交通大學) with a master degree in transportation engineering (交通運輸工程領域) in June 2011.

Mr. Zhao Yunhui (趙雲輝先生), aged 50, is the project implementation director of the Group and the vice president of IBO information and is responsible for the overall management of the project implementation matters of the Group. Mr. Zhao joined us in July 2005. Prior to joining the Group, his primary working experience includes a manager of major project department of Shenzhen Fu An Security Systems Limited* (深圳市賦安安全系統有限公司) (principally engaged in the research and development, manufacturing and sales of fire-fighting products and software) from March 1997 to January 2004. Mr. Zhao graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) with a bachelor degree in engineering in precision instrument (精密儀器) in July 1992.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2019 of the Group.

PRINCIPAL BUSINESSES

The analysis of the Group's annual performance by operations is set out in note 5 to the consolidated financial statements. The Company is an investment holding company, the major subsidiaries of which are mainly engaged in such business activities as set forth in notes 1 and 40 to the consolidated financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 March 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 83.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622) of Hong Kong including an analysis of the Group's performance, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the above sections headed "Chairman's Statement", "Management Discussion and Analysis" and this Report of the Directors of this annual report. Details of the Group's financial risk management are disclosed in note 35 to the consolidated financial statements.

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

SHARE CAPITAL

As at 31 March 2019, the total amount of the issued share capital of the Company was approximately RMB3.35 million, divided into 400,000,000 Shares of HK$0.01 per Share. Details of changes in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

ISSUED DEBENTURES

For the debentures issued by the Company during the Year, please refer to the section headed "Management Discussion and Analysis — Financial Review — Capital Structure, Liquidity and Financial Resources" and note 30 to the consolidated financial statements in this report.

EQUITY-LINKED AGREEMENTS

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

Placing of Convertible Bonds under General Mandate
On 17 February 2019, the Company (as the issuer) and VC Brokerage Limited (as the placing agent) entered into the placing agreement, pursuant to which the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, placees to subscribe for the convertible bonds in the aggregate principal amount of up to HK$64,000,000 at the initial conversion price of HK$1.6 per conversion share (subject to adjustments). Maturity date will be the last day of the three-year period from the issue date, with 7.5% per annum on the outstanding principal amount of the convertible bonds payable on the maturity date. 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. Further details are set out in the section headed "Events after the Reporting Period — Completion of Placing of Convertible Bonds in the Aggregate Principal Amount of HK$22,400,000 Under General Mandate" in this report and the announcement of the Company dated 17 February 2019.

Completion of the placing is conditional upon:

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

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

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

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

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

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

Conditions precedent (i) to (v) above cannot be waived by any party to the placing agreement, but condition precedent (vi) above can be waived unilaterally by the placing agent. The parties to the placing agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 29 March 2019 (or such later date as may be agreed between the parties to the placing agreement in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by 29 March 2019, the placing agreement shall be terminated on the same day. Upon termination, all obligations of the parties to the placing agreement under the placing agreement shall cease. The above conditions precedent have been fulfilled or satisfied on or before 29 March 2019. As at 31 March 2019, the placing has not completed. Upon the completion of the transaction, the placees shall fully pay the placing price or relevant part thereof to the Company or the placing agent and the Company shall deliver the bond certificates and the certificated copies of the bond instruments to the placees pursuant to the terms of placing agreement.

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.

EQUITY-LINKED AGREEMENTS (Continued)

Placing of Convertible Bonds under General Mandate (Continued)

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

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

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

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

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

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

Conditions precedent (i) to (iii) above cannot be waived by any party to the convertible bonds subscription agreement. Condition precedent (iv) above can be waived unilaterally by the placee, and condition precedent (v) above can be waived unilaterally by the Company. The parties to the convertible bonds subscription agreement shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) within three weeks upon signing the convertible bonds subscription agreement (or such later date as may be agreed between such parties in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by the abovementioned time limit, the placee may forthwith terminate the convertible bonds subscription agreement and cancel the subscription of the convertible bonds. Conditions precedent (i), (ii) and (iv) have been fulfilled or satisfied on or before 31 March 2019.

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

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

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

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

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

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

EQUITY-LINKED AGREEMENTS (Continued)

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

On 17 February 2019, 223,220,000 Shares are held by the Shine Well, representing approximately 55.81% of the total issued Shares, who 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, 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.

Conditions Precedent to the First Stage Subscription

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

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

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

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

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

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

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

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

EQUITY-LINKED AGREEMENTS (Continued)

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

Conditions Precedent to the First Stage Subscription (Continued)

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

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

Conditions Precedent to the Second Stage Subscription

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

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

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

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

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

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

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

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

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

EQUITY-LINKED AGREEMENTS (Continued)

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

Conditions Precedent to the Second Stage Subscription (Continued)

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

As at 31 March 2019, the conditions precedent to the First Stage Subscription and Second Stage Subscription have not been fulfilled.

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

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

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

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

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

Pursuant to the sale and purchase agreements, the Acquisition shall be conditional upon fulfilment of the following conditions precedent:

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

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

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

(d) the Listing Committee having approved the listing of, and granted the permission to deal in, the consideration shares, the number of which represents the upper limit of the shares required to be issued;

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

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

The above conditions precedent have been fulfilled or satisfied on or before January 2019.

The Acquisition was completed in January 2019. Details are set out in the announcements of the Company dated 13 and 21 September 2018.

EQUITY-LINKED AGREEMENTS (Continued)

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

Consideration Shares Adjustment Mechanism:
For the year ending 31 March 2019:

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

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

where

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

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

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

where

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

EQUITY-LINKED AGREEMENTS (Continued)

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

Consideration Shares Adjustment Mechanism: (Continued)

For the year ended 31 March 2020:

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

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

Where

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

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

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

Where

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

EQUITY-LINKED AGREEMENTS (Continued)

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

Consideration Shares Adjustment Mechanism: (Continued)

For the year ended 31 March 2021:

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

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

Where

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

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

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

Where

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

EQUITY-LINKED AGREEMENTS (Continued)

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

Consideration Shares Adjustment Mechanism: (Continued)

For the three years ended 31 March 2021:

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

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

Where

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

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

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

Where

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

RELATIONSHIP WITH EMPLOYEES

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

CHARITY AND DONATIONS

During the Year, the Group did not make any charitable donation (for the year 2018: approximately RMB2.03 million).

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

DIVIDEND

The Board did not recommend the payment of a final dividend for the Year (2018: Nil).

DISTRIBUTABLE RESERVES

The reserves distributable to the Shareholders amounting approximately RMB266.81 million as at 31 March 2019 (2018: approximately RMB239.91 million) included share premium and retained profit.

REPORT OF THE DIRECTORS

DIRECTORS

During the Year , the Directors comprised:

Executive Directors

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

Independent Non-executive Directors

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

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

Pursuant to the articles of association of the Company ("**Articles of Association**") and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, Mr. Lai Tse Ming, Mr. Yu Kin Keung and Mr. Hung Muk Ming shall retire by rotation in accordance with Articles 84 of the Articles of Association. All retiring Directors are eligible and willing to offer themselves for re-election at the forthcoming annual general meeting.

CHANGES TO DIRECTORS' INFORMATION

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

Mr. Lai Tse Ming

- Mr. Lai is a director of each of the Company's subsidiaries (excluding IBO Shenzhen Digital Limited* (深圳艾伯數字有限公司), each member of Weitu Group and IBO Intelligent (Shenzhen) Limited* (艾伯智能(深圳)有限公司);

- Mr. Lai's salary and other allowances has been adjusted to HK$720,000 per annum and his director's fee remains unchanged since April 2019; and

- Mr. Lai has served as the director of the Investment Decision-making Committee and the group leader of Deepening Reforms of the Company since June 2019.

Mr. Gao Weilong

- Mr. Gao's director's fee has been adjusted to HK$480,000 per annum and his salary and other allowances remain unchanged since April 2019; and

- Mr. Gao has served as the deputy director of the Investment Decision-making Committee and the director of the Performance Review Committee of the Company since June 2019.

CHANGES TO DIRECTORS' INFORMATION (Continued)

Mr. Teng Feng

- Mr. Teng's director's fee has been adjusted to HK$480,000 per annum and his annual salary and other allowances remain unchanged since April 2019; and

- Mr. Teng has served as the director of the Company's Technology Development Committee and the director of IBO Research Institute of Science and Technology since June 2019.

Mr. Yu Kin Keung

- Mr. Yu has served as a director of Bright Leap Limited and Rise Mark Corporation Limited since January 2019, both of which are subsidiaries of the Company;

- Mr. Yu's salary and other allowances has been adjusted to HK$840,000 per annum and his director's fee remains unchanged since April 2019; and

- Mr. Yu has served as the general manager of the Financial Management Department of the Company since June 2019.

Mr. Lyu Huiheng

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

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

Dr. He Tianxiang

- Dr. He's director's fee has been adjusted to HK$200,000 per annum since April 2019.

Dr. Wong Kwok Yan

- Dr. Wong's director's fee has been adjusted to HK$200,000 per annum since April 2019.

Mr. Hung Muk Ming

- Mr. Hung's director's fee has been adjusted to HK$200,000 per annum since April 2019.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections headed "Equity-linked Agreements", "Share Option Scheme", "Directors" and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" and "Connected transaction and Related Party Transaction" in this report, the Company, its holding company or any of its subsidiaries had not entered into any arrangements at any time during the Year to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) or their respective associates to acquire benefits by means of acquisitions of Shares in, and/or debt securities (including the debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")).

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the sections headed "Equity-linked Agreements", "Share Option Scheme", "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" and "Connected transaction and Related Party Transaction" in this report and note 39 to the consolidated financial statements, no material transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year. No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

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

MANAGEMENT CONTRACTS

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2019 by independent professional property valuer and the gain arising as changes in fair value of investment properties, which had been charged directly to profit or loss. Details of the Group's properties as at 31 March 2019 are set out on note 17 to the consolidated financial statements.

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

SHARE OPTION SCHEME

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

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

(a) Purpose

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

(b) Scope of participants and eligibility of participants

The Board may, at its discretion, invite:

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

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

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

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

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

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

(c) Acceptance of offer

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

(d) Subscription price

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

SHARE OPTION SCHEME (Continued)

(e) Maximum number of shares available for subscription

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

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

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

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

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

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

(g) Maximum entitlement of shares of each participant

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

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

SHARE OPTION SCHEME (Continued)

(h) Grant of Share Options to connected persons

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

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

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

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

(i) Exercise of Share Options

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

(j) Duration of the Share Option Scheme

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

On 29 June 2018, the Company granted the options carrying rights to subscribe for 40,000,000 Shares were fully granted in accordance with the Share Option Scheme. The scheme mandate limit of the Share Option Scheme was refreshed on 26 September 2018 as the Shareholders passed an ordinary resolution at an extraordinary general meeting of the Company to refresh the 10% scheme mandate limit under the Share Option Scheme in order to enable the Company to grant further options up to a maximum of 40,000,000 Shares based on the 400,000,000 issued Shares. The Company had proposed to grant share options for 20,000,000 Shares to Mr. Lai pursuant to the refreshed 10% scheme mandate limit and such proposed grant be approved at the extraordinary general meeting held on 17 May 2019. As at the date of this report, the outstanding number of Share Options available for issue under the existing scheme mandate limit is 70,000,000, representing 5% 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 80,000,000 Shares of the Company, representing 20% of the total number of issued Shares as at the date of this report.

SHARE OPTION SCHEME (Continued)

Details of the share options granted or proposed to be granted and outstanding during the Year were:

Name and/ or category of grantees	Date of grant of share options	Number of share options: Outstanding as at 1 April 2018	During the Year: Granted	During the Year: Exercised	During the Year: Cancelled	During the Year: Lapsed	Outstanding as at 31 March 2019	Vesting Period of share options	Exercisable period of shares options	Exercise price per Share HK$	Closing price per Share immediately before the date of grant HK$	
Directors												
Mr. Lai	17 February 2019	–	6,000,000	–	–	–	6,000,000	17 February 2019– 16 May 2019	17 May 2019– 16 February 2022	1.6	1.6	*(Note 1)*
Mr. Lai	17 February 2019	–	6,000,000	–	–	–	6,000,000	17 February 2019– 16 February 2020	17 February 2020– 16 February 2022	1.6	1.6	*(Note 1)*
Mr. Lai	17 February 2019	–	8,000,000	–	–	–	8,000,000	17 February 2019– 16 February 2021	17 February 2021– 16 February 2022	1.6	1.6	*(Note 1)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
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 2)*
Total		–	60,000,000	–	–	–	60,000,000					

Notes:

1. On 17 February 2019, the Board proposed to grant 20,000,000 share options to Mr. Lai in the 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 Tse Ming was duly passed 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 outstanding or unexercised share options granted to Mr. Lai shall lapse after 16 February 2022.

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

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

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity/Nature of interests	Number of Shares held/interested in	Underlying Shares (under equity derivatives of the company) *(Note 3)*	Percentage of shareholding/ interests *(Note 1)*
Mr. Lai	Interest of controlled corporation *(Note 2)*	323,220,000 *(Notes 4, 6)*	–	80.81% *(Notes 4 & 5)*
Mr. Gao	Beneficial owner *(Note 3)*	–	4,000,000	1.00%
Mr. Teng	Beneficial owner *(Note 3)*	–	4,000,000	1.00%
Mr. Yu	Beneficial owner *(Note 3)*	–	4,000,000	1.00%

Long positions in the ordinary shares of an associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of shares held/interested in	Percentage of shareholding
Mr. Lai	Shine Well	Beneficial owner *(Note 5)*	13,000,000 *(Note 6)*	100%

Notes:

1. The percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 March 2019.

2. These 323,220,000 Share interests are held by Shine Well, a company incorporated in BVI with limited liability on 31 August 2007. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai.

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

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

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

6. On 29 January 2019, Shine Well entered into a mortgage of shares with Fortune Finance Limited in respect of an aggregate of 223,220,000 Shares and any additional Shares of the Company in which Shine Well are interested ("**Mortgage of Shares of the Company**"), 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 Future Finance made by Shine Well in the financing agreement ("**Financing Agreement**") in relation to a fixed-term loan in the principal amount of HK$155,000,000 at interest rates of 12% per annum for a term of 12 months from 30 January 2019 (inclusive), in which Mr. Lai acts as the guarantor. Unless the Financing Agreement is extended, the Mortgages of Shares of the Company shall expire prior to the completion of the subscription. Therefore, number of shares held/interested in excludes the subscription shares. The Mortgages of Shares of the Company provides guarantee for the Financing Agreement, which started from 30 January 2019 (inclusive) for a term of 12 months. Therefore, unless Fortune Finance approves of extending the term of the Financing Agreement upon the application by Shine Well, the Mortgages of Shares of the Company shall expire prior to the First Stage of subscription. So far, Shine Well has no plan to extend the Financing Agreement or pledge the subscription shares upon the completion of the subscription.

Save as disclosed herein, as at 31 March 2019, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 31 March 2019, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/interested in	Percentage of shareholding *(Note 1)*
Shine Well *(Note 2)*	Beneficial owner	323,220,000 *(Note 5)*	80.81% *(Note 5)*
Ms. Ho Fung Lin ("**Ms. Ho**") *(Note 2)*	Interests of spouse	323,220,000 *(Note 5)*	80.81% *(Note 5)*
China Fortune Financial Group Limited	Interests in a controlled corporation	223,220,000 *(Note 4)*	55.81% *(Note 4)*
Fortune Financial (Holdings) Limited	Interests in a controlled corporation	223,220,000 *(Note 4)*	55.81% *(Note 4)*
Fortune Finance Limited	Security interests in shares	223,220,000 *(Note 4)*	55.81% *(Note 4)*
Value Convergence Holdings Limited *(Note 3)*	Beneficial owner and interests in a controlled corporation	32,022,000	8.00%
VC Group Holdings Limited *(Note 3)*	Interests in a controlled corporation	31,500,000	7.88%
Century Race Investments Limited ("**Century Race**") *(Note 3)*	Beneficial owner	31,500,000	7.88%

Notes:

1. The percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 March 2019.

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

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

4. 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 interested ("**Mortgage of Shares of the Company**"), 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 Future Finance made by Shine Well in the financing agreement ("**Financing Agreement**") in relation to a fixed-term loan in the principal amount of HK$155,000,000 at interest rates of 12% per annum for a term of 12 months from 30 January 2019 (inclusive), in which Mr. Lai acts as the guarantor. Unless the Financing Agreement is extended, the Mortgages of Shares of the Company shall expire prior to the completion of the subscription. Therefore, number of shares held/interested in excludes the subscription shares. The Mortgages of Shares of the Company provides guarantee for the Financing Agreement, which started from 30 January 2019 (inclusive) for a term of 12 months. Therefore, unless Fortune Finance approves of extending the term of the Financing Agreement upon the application by Shine Well, the Mortgages of Shares of the Company shall expire prior to the First Stage of subscription. So far, Shine Well has no plan to extend the Financing Agreement or pledge the subscription shares upon the completion of the subscription.

5. 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 section headed "Connected Transaction in Relation to Subscription of Shares by a Connected Person under Specific Mandate" in the "Equity-linked Agreements" of this report, the Company's announcements dated 17 February 2019 and 17 May 2019, and the circular dated 25 April 2019. As at 31 March 2019, the conditions precedent for the First Stage Subscription and the Second Stage Subscription as set out in the subscription agreement were not fulfilled.

Save as disclosed above, and as at 31 March 2019, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

RETIREMENT SCHEMES

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND RELATED PARTY TRANSACTION

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

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

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

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

Save as disclosed above, details of related party transactions of the Group are set out in note 39 to the consolidated financial statements. As the relevant transaction constitutes de minimis continuing connected transaction of our Company under Rule 14A.76 of the Listing Rules which will be fully exempt from the reporting, annual review, announcement and independent Shareholders ' approval requirements under Chapter 14A of the Listing Rules, as such, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

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

REPORT OF THE DIRECTORS

COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The 5 largest customers of the Group accounted for approximately 82% of the Group's revenue and the largest customer accounted for approximately 35% of the Group's revenue. The 5 largest suppliers of the Group accounted for 92% of the Group's purchases and the largest supplier accounted for approximately 32% of the Group's purchases.

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

SUFFICIENCY OF PUBLIC FLOAT

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

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

As of 31 March 2019, the Group has utilized a total of approximately RMB86.21 million from the net proceeds, and net proceeds have been used in the manner set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 14 December 2017. The unutilised net proceeds from global offering have been deposited in a licensed bank in Hong Kong. The utilisation of net proceeds was summarized as below:

	Original allocation of net proceeds from global offering		Actually utilised amount as of 31 March 2019	Unutilised amount as of 31 March 2019
	%	RMB'000	RMB'000	RMB'000
Used for actively expanding our businesses through extending the application of our technologies into different sectors of the "Smart City" market from 2017 to 2018	54.3	47,784	47,784	–
Used for identifying beneficial strategic investment opportunities from 2017 to 2019	19.4	17,072	17,072	–
Used for further enhancement of our R&D development capability, in technologies including but not limited to digital driver and vehicle identification, face detection and digital monitoring of gas cylinders technologies from 2017 to 2019	16.3	14,344	12,550	1,794
Used for additional working capital and other general corporate purpose	10.0	8,800	8,800	–
	100.0	88,000	86,206	1,794

CLOSURE OF REGISTER OF MEMBERS FOR AGM

To determine the eligibility of the Shareholders to attend the annual general meeting to be held on 10 September 2019, the register of members will be closed from 5 September 2019 to 10 September 2019, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on 4 September 2019.

EVENTS AFTER THE REPORTING PERIOD

Completion of Placing of Convertible Bonds in the aggregate principal amount of HK$22,400,000 under General Mandate

On 17 February 2019, the Company (as the issuer) and VC Brokerage Limited (as the placing agent) entered into the placing agreement, pursuant to which the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, placees to subscribe for the convertible bonds in the aggregate principal amount of up to HK$64,000,000 at the initial conversion price of HK$1.6 per conversion share (subject to adjustments). Maturity date will be the last day of the three-year period from the issue date, with 7.5% per annum on the outstanding principal amount of the convertible bonds payable on the maturity date. 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.

On 3 April 2019, convertible bonds with an aggregate principal amount of HK$22,400,000 have been successfully placed to the placees. All placees and their ultimate beneficial owners are independent third parties. Assuming there is no further issue or repurchase of the Shares, based on the initial conversion price of HK$1.6 per conversion share, 14,000,000 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$140,000. 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) will be approximately HK$21,400,000. The Group will use such proceeds for the projects related to the Strategic Cooperation Framework Agreement with IAC as disclosed in the announcement of the Company dated 4 February 2019. 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.

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, 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 stage. Shine Well may not subscribe less than 50,000,000 subscription shares in each stage. On 15 February 2019, being the last trading day before the date on which the terms of issue to be determined, the closing price of the Shares as quoted on the Stock Exchange was HK$1.6 per Share.

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD (Continued)

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

On 17 February 2019, 223,220,000 Shares are held by the Shine Well, representing approximately 55.81% of the total issued Shares, who 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, 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 dated 25 April 2019.

The acquisition of 15% of the issued share capital of Good Cheer

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

Upon the reorganisation but prior to the completion date, Good Cheer will indirectly hold 96.7742% of the issued share capital of Shenzhen Tongtianhui Technology Company Limited* (深圳市童天慧科技有限公司, "**Tongtianhui**"). Tongtianhui owns and operates a one-stop education technology service platform in PRC, which utilises technology such as cloud computing, IoT, big data research results and artificial intelligence etc. to provide more comprehensive solutions for its customers, such as education institutions and/or individual education service providers to achieve precise matching between its customers and its online platform user, mainly the parents in PRC, with demand of education services for their children. The Directors believed the acquisition could provide synergy effect in technology to the Group as well as Tongtianhui. The Group could leverage on its advantages in the technology development and provide relevant technical support to Tongtianhui, which in turn further enhance its research and development in technological capabilities and thereby improving its market competitiveness and realising the rapid development in business as well as the expansion in market coverage.

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

Proposed Grant of 20,000,000 Share Options in aggregate to Mr. Lai

On 17 February 2019, the Company had proposed to grant in aggregate 20,000,000 share options to Mr. Lai, to subscribe for 20,000,000 Shares pursuant to the Share Option Scheme at the exercise price of HK$1.6, for a validity period of 3 years from the date of grant. The resolution on the proposed grant of share options to Mr. Lai was approved by the independent Shareholders at the extraordinary general meeting held on 17 May 2019. 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.

EVENTS AFTER THE REPORTING PERIOD (Continued)

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

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

The "Digitalisation project of smart agriculture and livestock industry in Tongliao" includes digitalisation projects for beef cattle industry, meat sheep industry and other livestock industries. As beef cattle industry is currently the leading industry in Tongliao, the parties will focus on cooperating to commence digitalisation project for beef cattle industry at the first stage of the "Digitalisation project of smart agriculture and livestock industry in Tongliao". Digitalisation projects for the meat sheep industry and other livestock industries will be covered later based on modes of construction, implementation, operation and service provision of and experience in digitalisation project for beef cattle industry.

The Company will fully utilise technical edge in smart livestock industry as well as its advantages and capability in consolidating financing and resources based on the requirement of construction of the "Digitalisation project of smart agriculture and livestock industry in Tongliao". The Company plans to invest or procure investment of more than RMB 1 billion in the next five to ten years to complete the construction of digitalised ecology of smart livestock industry in Tongliao in order to realise the target of the "Digitalisation project of smart agriculture and livestock industry in Tongliao". Accordingly, at the first stage of the "Digitalisation project of smart agriculture and livestock industry in Tongliao" of two to three years, the Company plans to contribute approximately RMB 90 million for the establishment and implementation of the "Digitalisation project of smart agriculture and livestock industry in Tongliao", among which, approximately RMB 50 million, approximately RMB 35 million and approximately RMB 5 million will be used on research and development, construction and implementation as well as project promotion and establishment of localised maintenance team respectively. Further details are set out in the announcement of the Company dated 10 June 2019.

Placing of Convertible Bonds in a total principal amount of up to HK$31,140,000 under General Mandate

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

EVENTS AFTER THE REPORTING PERIOD (Continued)

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

The Company and the placing agent shall use their respective reasonable endeavours to ensure that all placees and their ultimate beneficial owners shall be independent third parties. Assuming full conversion of the convertible bonds into conversion shares, a total of 18,000,000 conversion shares will be allotted and issued with a total nominal value of HK$180,000, based on the initial conversion price of HK$1.73 per conversion share. The conversion shares will be allotted and issued under the General Mandate.

The gross proceeds from the placing will be up to HK$31,140,000. The net proceeds from the placing (after deducting the placing commission and other expenses) will be approximately HK$30.2 million which will be used by the Group as the general working capital for the new project in relation to 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 announcement of the Company dated 10 June 2019. 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 announcement of the Company dated 10 June 2019.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years are set out on page 168 of this report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee of the Board consists of three independent non-executive Directors, namely Dr. He Tianxiang, Dr. Wong Kwok Yan and Mr. Hung Muk Ming. The Company's audited consolidated financial statements and annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee of the Board, the members of which have met the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, for the review of the Group's results for the year ended 31 March 2019.

The Audit Committee of the Board has reviewed the Company's audited consolidated financial statements for the year ended 31 March 2019 and the accounting principles and practices adopted by the Group, and has discussed auditing, risk management, internal controls and financial reporting matters for the year ended 31 March 2019 with the management. They have also reviewed and approved the engagement of external auditors for providing non-audit services, the remuneration in respect of audit and non-audit services provided by external auditors, risk management and internal control systems and the effectiveness of the internal audit function.

AUDITOR

The consolidated financial statements for the years ended 31 March 2017, 2018 and 2019 were audited by Messrs. Deloitte Touche Tohmatsu who will retire and be willing to be reappointed as the Company's auditor. At the coming annual general meeting to be convened by the Company a resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as the Company's auditor will be proposed.

On behalf of the Board

Lai Tse Ming
Chairman

Hong Kong, 28 June 2019

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Listing Rules for the Year. The Board and the management of the Group consider that maintaining a well-established corporate governance practices and procedures is the key to success.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Company's Code on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code during the Year.

BOARD OF DIRECTORS

Board Composition

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

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

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

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

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

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

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

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

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

Independent Non-executive Directors

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

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

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

Appointment and Re-election of Directors

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

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

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

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors

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

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

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

Board Meetings

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

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

BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

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

- Approving the financial results and reports for the year ended 31 March 2018;
- Reviewing the financial control, risk management and internal control policies of the Company;
- Assessing business performance and planning future business directions;
- Approving the interim report for the six months ended 30 September 2018;
- Approving the grant of share options to the Directors, employees of the Group and consulting firms;
- Approving the placing of bonds and convertible bonds;
- Approving the acquisition of 51.7321% issued share capital of Bright Leap;
- Adopting the dividend policy and policy for the nomination of Directors;
- Approving the amendments to the terms of reference of the Nomination Committee and the Audit Committee; and
- Approving the acquisition of the Shares by Shine Well.

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

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

BOARD COMMITTEES

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

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

BOARD COMMITTEES (Continued)

Audit Committee

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

The duties of the Audit Committee shall be:

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

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

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

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

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

The major works performed are as follows:

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

The Group's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee.

BOARD COMMITTEES (Continued)

Remuneration Committee

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

The duties of the Remuneration Committee shall be:

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

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

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

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

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

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

- Reviewing and making recommendations to the Board on the remuneration of independent non-executive Directors with reference to the time and efforts involved in discharging their duties and the prevailing market conditions;
- Reviewing and determining the change of remuneration packages for the executive Directors, senior management and other employees of the Group; and
- Recommending to the Board for approving the grant of share options to the Directors, employees of the Group and consulting firms.

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

	Number of Individuals
Nil–HK$1,000,000	8
HK$1,000,001–HK$1,500,000	–
HK$1,500,001–HK$5,000,000	7
HK$5,000,001–HK$10,000,000	–

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

BOARD COMMITTEES (Continued)

Nomination Committee

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

The duties of the Nomination Committee shall be:

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

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

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

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

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

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

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

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

- Reviewing the structure, size and composition of the Board;

- Recommending to the Board for amending the terms of reference of the Nomination Committee;

- Assessing the independence of the independent non-executive Directors of the Company; and

- Reviewing and making recommendations to the Board on the re-appointment of Directors who are subject to retirement from office by rotation at the forthcoming annual general meeting of the Company.

POLICY FOR THE NOMINATION OF DIRECTORS

1. Nomination Criteria

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

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

2. Procedure for Nomination

2.1 Appointment of New Directors

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

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

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

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

2.2 Re-election of Directors at General Meetings

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

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

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

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

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

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

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

AUDITOR'S REMUNERATION

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

Services Category	Fees paid/payable RMB
Audit services	
— audit services on 2019 annual financial statements	2,443,120
— preliminary review of annual results announcement for the year ended 31 March 2019	42,890
— audit services on 2019 continuing connected transactions	8,578
Non-audit services	
— Risk management consulting, internal control review and Environmental, Social and Governance report consulting services for the year of 2019	171,560
	2,666,148

COMPANY SECRETARY

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

Dividend Policy

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

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

(i) the Group's financial performance;

(ii) the Group's financial position;

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

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

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

SHAREHOLDERS' RIGHTS (Continued)

Dividend Policy (Continued)

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

Putting Forward Enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of IBO Technology Company Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 83 to 167, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life	
We identified the acquisition of businesses during the year ended 31 March 2019 and impairment assessments of goodwill and intangible assets with indefinite useful life at 31 March 2019 as a key audit matter due to the complexity and significant estimates involved in the assessment process by the management of the Group. As disclosed in note 32 to the consolidated financial statements, the Group acquired Bright Leap Limited, a limited liability company incorporated in British Virgin Islands, together with its subsidiaries, during the year ended 31 March 2019. The Group has recognised goodwill and intangible assets of RMB44,157,000 and RMB72,868,000 (inclusive of intangible asset with indefinite useful life of RMB21,300,000) respectively as at the date of acquisition. With the use of independent valuers, the valuation of intangible assets, representing development cost, customer relationship and brand name, on the acquisition date, is performed based on key assumptions and estimation used by the management including discount rates, growth rates and useful lives of the intangible assets in respect of the acquisition made during the reporting period. As at 31 March 2019, the Group's goodwill and intangible assets with infinite useful life have carrying amounts of RMB44,157,000 and RMB21,300,000, respectively. For the purpose of assessing impairment of goodwill and intangible assets with indefinite useful life at 31 March 2019, respective recoverable amounts of cash-generating units have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to the management's expectations for the market development, where the key assumptions and estimates included the growth rates and discount rate used in the value in use calculation. Based on the management's assessment, no impairment loss in relation to goodwill and intangible assets with indefinite useful life has been recognised for the year ended 31 March 2019.	Our procedures in relation to the acquisition of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life at 31 March 2019 included: • Checking the arithmetical accuracy of the calculations underlying the purchase price allocation ("**PPA**"); • Understanding the nature of the intangible assets being acquired and inquiring of the management of the Group for the factors that goodwill is arisen; • Evaluating the competence, capabilities and objectivity of the independent valuers engaged by management in assessing the PPA and the discount rates applied in calculating the value in use for impairment assessments as at 31 March 2019; • Involving our internal valuation expert to review the valuations performed by the independent valuers and the discount rates applied in respect of the PPA; • Assessing the appropriateness of the key assumptions adopted in the discounted cash flows for impairment assessments, by checking management's expectation for the market development; • Testing source data on a sample basis to supporting evidence, such as approved budgets and available market data; and • Evaluating the appropriateness of the disclosures in respect of the acquisition and impairment assessments of goodwill and intangible assets with indefinite useful life in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECL**") of the Group's trade receivables at the end of the reporting period. As at 31 March 2019, the Group's net trade receivables amounting to RMB154,622,000, which represented approximately 30% of the total assets of the Group and out of these trade receivables of approximately RMB9,394,000 were past due. As explained in note 2 to the consolidated financial statements, the Group adopted HKFRS 9 "Financial Instruments" in the current year and credit loss allowance amounting to RMB1,626,000 was recognised at 1 April 2018. As disclosed in notes 4 and 35 to the consolidated financial statements, trade receivables are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors and general economic conditions at the end of each reporting period, including time value of money where appropriate. Credit loss allowance amounting to RMB1,403,000 was recognised at 31 March 2019. Details of the ECL are set out in note 35 to the consolidated financial statements.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding how the management estimates the expected credit loss allowance for trade receivables; • Testing the integrity of information used by management to develop the individual assessment, including trade receivables aging analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales contracts, sales invoices and other supporting documents; and • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 1 April 2018 and 31 March 2019, including the reasonableness of management's assessment on the internal credit rating of the trade debtors and the basis of estimated loss rate applied to each debtor.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**298,916**	212,700
Cost of sales and services rendered		**(197,613)**	(126,480)
Gross profit		**101,303**	86,220
Other income	6	**5,675**	5,522
Other expenses		**(909)**	(2,552)
Other gains and losses	7	**3,677**	(4,032)
Impairment losses, net of reversal	8	**172**	–
Distribution and selling expenses		**(3,123)**	(1,698)
Administrative expenses		**(51,668)**	(15,719)
Finance costs	9	**(2,802)**	(1,868)
Research and development expenses		**(5,321)**	(2,005)
Listing expenses		**–**	(15,431)
Profit before taxation		**47,004**	48,437
Income tax expense	10	**(12,064)**	(12,961)
Profit and total comprehensive income for the year	11	**34,940**	35,476
Profit and total comprehensive income for the year attributable to			
— Owners of the Company		**33,951**	35,476
— Non-controlling interests		**989**	–
		34,940	35,476
Earnings per share			
— Basic (RMB cents)	15	**8.49**	10.89
— Diluted (RMB cents)		**8.47**	10.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	16	8,312	3,947
Investment properties	17	20,500	19,360
Goodwill	18	44,157	–
Intangible assets	19	67,162	–
Financial assets at fair value through profit or loss	21	460	–
Rental deposits		578	994
		141,169	24,301
Current assets			
Inventories	22	51,897	1,245
Trade and other receivables	23	240,984	183,259
Contract assets	24	12,215	–
Amounts due from customers for contract works	24	–	2,199
Amount due from a related company	25	38	–
Amounts due from non-controlling interests	25	197	–
Financial assets at fair value through profit or loss	21	7,793	–
Bank balances and cash	26	61,684	82,719
		374,808	269,422
Current liabilities			
Trade and other payables	27	73,840	57,466
Amounts due to non-controlling interests	25	13,681	–
Tax payables		17,313	9,373
Bank borrowings	28	25,109	6,500
Consideration payable	32	17,810	–
		147,753	73,339
Net current assets		227,055	196,083
Total assets less current liabilities		368,224	220,384
Non-current liabilities			
Deferred tax liabilities	29	22,559	6,065
Bank borrowings	28	523	–
Bonds payables	30	26,727	–
Consideration payable	32	26,714	–
		76,523	6,065
		291,701	214,319

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	**2019 RMB'000**	2018 RMB'000
Capital and reserves			
Share capital	*31*	**3,349**	3,349
Reserves		**258,150**	210,970
Equity attributable to owners of the Company		**261,499**	214,319
Non-controlling interests		**30,202**	–
Total Equity		**291,701**	214,319

The consolidated financial statements on pages 83 to 167 were approved and authorised for issue by the board of directors on 28 June 2019 and are signed on its behalf by:

Mr. Lai Tse Ming
DIRECTOR

Mr. Gao Weilong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 *(Note a)*	Share options reserve RMB'000	Statutory surplus reserve RMB'000 *(Note b)*	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2017	1	48,083	(43,325)	–	8,583	52,071	65,413	–	65,413
Profit and total comprehensive income for the year	–	–	–	–	–	35,476	35,476	–	35,476
Transfer	–	–	–	–	5,800	(5,800)	–	–	–
Capitalisation issue *(note 31)*	2,511	(2,511)	–	–	–	–	–	–	–
Issue of new shares *(note 31)*	837	123,651	–	–	–	–	124,488	–	124,488
Transaction costs attributable to issue of new shares	–	(11,058)	–	–	–	–	(11,058)	–	(11,058)
At 31 March 2018	3,349	158,165	(43,325)	–	14,383	81,747	214,319	–	214,319
Adjustments *(note 2)*	–	–	–	–	–	(1,439)	(1,439)	–	(1,439)
At 1 April 2018 (restated)	**3,349**	**158,165**	**(43,325)**	**–**	**14,383**	**80,308**	**212,880**	**–**	**212,880**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**33,951**	**33,951**	**989**	**34,940**
Acquisition of non-wholly owned subsidiaries *(Note 32)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,213**	**29,213**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**14,668**	**–**	**–**	**14,668**	**–**	**14,668**
Transfer	**–**	**–**	**–**	**–**	**5,615**	**(5,615)**	**–**	**–**	**–**
At 31 March 2019	**3,349**	**158,165**	**(43,325)**	**14,668**	**19,998**	**108,644**	**261,499**	**30,202**	**291,701**

Notes:

a. Merger reserve represented the difference between the share capital of Abacus International Group Company Limited ("**Abacus**"), which was transferred from Shine Well Holdings Limited ("**Shine Well**"), an immediate and ultimate holding company of the Company to IBO Holdings Limited ("**IBO Holdings**") pursuant to the reorganisation as set out on the prospectus dated 14 December 2017 and share capital and share premium of IBO Holdings.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**47,004**	48,437
Adjustments for:			
Share-based payment expenses		**14,668**	–
Finance costs		**2,802**	1,868
Interest income		**(79)**	(23)
Depreciation of property, plant and equipment		**1,714**	917
Impairment losses, net of reversal		**(172)**	–
Amortisation of intangible assets		**6,524**	–
Unrealised gain on change in fair value of investment properties		**(1,140)**	(160)
Unrealised gain on change in fair value of financial assets at FVTPL		**(484)**	–
Loss on change in fair value of consideration payables		**4,149**	–
Loss on disposal of a subsidiary		**237**	–
Loss on disposal of property, plant and equipment		**3**	–
Unrealised exchange gain		**(550)**	–
Operating cash flows before movements in working capital		**74,676**	51,039
(Increase) decrease in inventories		**(50,652)**	390
Increase in trade and other receivables and rental deposits		**(50,865)**	(118,993)
Increase in contract assets		**(4,305)**	–
Decrease in amounts due from customers for contract works		**–**	2,067
Increase in financial assets at fair value through profit or loss		**(7,326)**	–
Increase in trade and other payables		**12,104**	42,452
Decrease in contract liabilities		**(314)**	–
Cash used in operations		**(26,682)**	(23,045)
Income tax paid		**(5,944)**	(7,283)
NET CASH USED IN OPERATING ACTIVITIES		**(32,626)**	(30,328)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	*32*	**(26,781)**	–
Purchase of property, plant and equipment		**(5,279)**	(970)
Acquisition of a club membership		**(818)**	–
Purchases of convertible bonds		**(443)**	–
Advance to a related company		**(265)**	(130)
Advances to non-controlling interests		**(32)**	–
Repayment from a related company		**227**	245
Proceeds from disposal of property, plant and equipment		**1**	–
Interest received		**79**	23
Advances to a director		**–**	(112,309)
Repayment from a director		**–**	128,289
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(33,311)**	15,148

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(12,868)**	(39,900)
Interest paid	**(1,598)**	(1,868)
Issue costs paid	**(77)**	(9,670)
Payments of commissions for issuance of bonds	**(3,442)**	–
Proceeds from bank borrowings	**32,000**	10,800
Advances from non-controlling interests	**656**	–
Proceeds from issuance of bonds	**30,231**	–
Repayment to a director	**–**	(19,602)
Loan from a director	**–**	2,083
Proceeds from issue of shares	**–**	124,488
NET CASH FROM FINANCING ACTIVITIES	**44,902**	66,331
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(21,035)**	51,151
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**82,719**	31,568
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**61,684**	82,719

1. GENERAL AND BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Intelligent terminal products sales;
- Provision of coordination, management and installation services;
- System maintenance services; and
- Software development.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

There is no impact from transition to HKFRS 15 on retained profits at 1 April 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

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

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

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

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

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

Notes:

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

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and consolidated statement of cash flows for the year ended 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Current assets			
Contract assets	12,215	(12,215)	–
Trade and other receivables	240,984	12,215	253,199

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Operating activities			
Increase in trade and other receivables and rental deposits	(50,865)	(4,305)	(55,170)
Increase in contract assets	(4,305)	2,106	(2,199)
Decrease in amounts due from customers for contract works	–	2,199	2,199
Decrease in contract liabilities	(314)	314	–
Increase in trade and other payables	12,104	(314)	11,790

Except as described above, the application of HKFRS 15 has had no material impact on the amount reported in the consolidated financial statements.

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

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) ECL for financial assets and (iii) general hedge accounting.

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

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

	Note	Financial assets at amortised cost (previously classified as loans and receivables) RMB'000	Contract assets RMB'000	Rental deposits RMB'000	Deferred tax liabilities RMB'000	Retained profits RMB'000
Closing balance at 31 March 2018 — HKAS 39		189,083	–	1,075	(6,065)	81,747
Effect arising from initial application of HKFRS 15		(1,449)	3,648	–	–	–
Effect arising from initial application of HKFRS 9:						
Remeasurement						
Impairment under ECL model	*(a)*	(1,646)	(29)	(18)	254	(1,439)
Opening balance at 1 April 2018		185,988	3,619	1,057	(5,811)	80,308

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

HKFRS 9 "Financial Instruments" (Continued)

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

Note:

(a) Impairment under ECL model

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

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

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

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

	Trade receivables RMB'000	Other receivables RMB'000	Contract assets RMB'000	Rental deposits RMB'000
At 31 March 2018 — HKAS39	–	–	N/A	–
Amounts remeasured adjusted to opening retained profits	(1,626)	(20)	(29)	(18)
At 1 April 2018	(1,626)	(20)	(29)	(18)

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

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

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

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

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 "Leases" (Continued)

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of RMB7,826,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers rental deposits paid of RMB1,413,000 and rental deposits received of RMB131,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to rental deposits received would be considered as advance lease payments.

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

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including the re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Business combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

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

Output method

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

Input method

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

Revenue recognition on performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

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

Revenue from provision of coordination, management and installation services is satisfied over time as the Company provides services on customers' sites which creates an asset that the customers control as the Group perform. The directors of the Company currently measure the stage of completion using output method by reference to the completion status certificates issued by customers.

System maintenance service income is recognised using output method on a straight-line basis over the terms of the relevant contract, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs and the performance obligation is satisfied with time elapsed. The revenue is recognised on the basis of direct measurements of the value of services transferred to the customers to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Contracts of software development provide customised software with no alternative use to the Group. Taking into account the contract terms and the legal and regulatory environment in the PRC, all the contracts provide the Group's enforceable right to payment for performance completed to date and hence the revenue is recognised over time. The directors of the Company currently measure the stage of completion in accordance with the cost incurred up to date to the total budgeted cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 April 2018)

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

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

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

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

The Group's accounting policy for the recognition of revenue from provision of coordination, management and installation services of smart cities and development of customised softwares is described in the accounting policy for construction contracts below.

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

Construction contracts

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

The Group as lessor

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

The Group as lessee

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

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments granted at the grant date.

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

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

Share options granted to service providers

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, including buildings in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Investment properties

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

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

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

Intangible assets

Intangible assets acquired separately

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

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

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of assurance type warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchase or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value though other comprehensive income ("**FVTOCI**") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets and other assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amount(s) due from a related company and non-controlling interests, rental deposits, contract assets and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is consideration payable that may be paid by the Group as part of a business combination to which HKFRS 3 applies.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bonds payables, amounts due to non-controlling interests and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Impairment assessments of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets with indefinite useful life are impaired requires an estimation of the recoverable amounts of the CGUs to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to make certain assumptions, including the discount rates and growth rates. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of the recoverable amount, a material impairment loss may arise.

As at 31 March 2019, the carrying amounts of goodwill and intangible assets with indefinite useful life were RMB44,157,000 and RMB21,300,000 respectively. Details of the recoverable amount calculation are set out in note 20.

Provision of ECL for trade receivables

Upon application of HKFRS 9 on 1 April 2018, the management of the Group calculates ECL on trade receivables individually. The provision rates applied are estimated using the historical observed default rates of the debtors taking into consideration of forward-looking information that is reasonable, supportable and available without undue costs or effort. At the end of the reporting period, these historical loss rates are reassessed and updated if required after considering the forward-looking information that is available to the directors of the Company. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 35 and 23. The Group's trade receivables amounted to RMB154,622,000, with trade receivables amounting to RMB9,394,000 being past due at 31 March 2019.

Net realisable value of inventories

The management of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management of the Group estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 March 2019 and 2018, the carrying values of inventories were RMB51,897,000 (2018: RMB1,245,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue for the year ended 31 March 2019

Disaggregation of revenue

Types of goods or services

	RMB'000
Intelligent terminal products sales	252,937
Provision of coordination, management and installation services of smart cities	4,388
Software development	31,355
System maintenance services	10,236
Total revenue from contracts with customers	298,916

Timing of revenue recognition

	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services of smart cities RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
A point in time	252,937	–	–	–	252,937
Over time	–	4,388	31,355	10,236	45,979
	252,937	4,388	31,355	10,236	298,916

Set out below is the reconciliation of the revenue from types of goods or services with the amounts disclosed in the segment information.

	Types of goods or services				
	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services of smart cities RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
Operating segments					
Intelligent terminal products sales	245,198	–	–	–	245,198
System integration	7,739	4,388	14	–	12,141
Software development	–	–	31,341	–	31,341
System maintenance services	–	–	–	10,236	10,236
	252,937	4,388	31,355	10,236	298,916

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue for the year ended 31 March 2019 (Continued)

Performance obligations for contracts with customers

Intelligent terminal products sales (revenue recognised at a point in time)

The Group sells the intelligent terminal products, such as RFID equipment and electronic products, directly to its customer. The revenue from intelligent terminal products sales is recognised at a point of time when the products are accepted by customer in which the control are transferred to the customer. The normal credit term is 180 days upon acceptance by customers, subject to assurance type warranty. In general, the Group provides a standard 1 year warranty to its customers, no significant sale return was noted up to report date and therefore the Group estimated there are no significant provision regarding warranty.

For sales of products in system integration segment, the Group considers the control of products transferred when customers have checked and accepted the products and the performance obligation is satisfied at which the control is transferred. The revenue from product sales in system integration segment is recognised at a point in time.

Provision of coordination, management and installation services (revenue recognised over time)

The Group provides total solutions services including procurement of materials, design, system development and integration process to its customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these services based on the stage of completion of the contract with reference to periodic progress certificates issued by its customers. The normal credit term is within 30 days upon completion of services. In general, the Group provides not more than 1 year warranty to its customers.

Software development (revenue recognised over time)

The Group develops customised software to its customers according to customer's specific needs and requirements. Therefore, it does not have an alternative use to the Group. As stipulated in the contracts, the Group has the rights to require its customer to pay the performance completed to date if the projects are suspended or cancelled. The revenue from software development is recognised over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The normal credit term is within 180 days upon the completion of software development and the services and products are accepted by customers. In general, the Group provides not more than 1 year warranty to its customers.

System maintenance services (revenue recognised over time)

The Group provides on site system maintenance services. The scope for maintenance contract solely includes maintenance work for a fixed period. The revenue from provision of system maintenance services is recognised over time as the customer simultaneously receives and consumes the maintenance services as time elapsed within the service period as the Group performs. Accordingly, revenue is recognised on a straight-line basis during the service period.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue for the year ended 31 March 2019 (Continued)

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	System maintenance service RMB'000
Within one year	**7,290**
More than one year but not more than two years	**4,830**
	12,120

All intelligent terminal products sales contracts, system integration contracts and software development contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue for the year ended 31 March 2018

An analysis of the Group's revenue from its major products and services for the year is as follows:

	RMB'000
Provision of coordination, management and installation services of smart cities	92,448
Intelligent terminal products sales	99,671
System maintenance services	10,999
Software development	9,582
	212,700

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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 currently 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 operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

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

	Intelligent terminal products sales RMB'000	System integration RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
For the year ended 31 March 2019					
REVENUE					
External sales	245,198	12,141	31,341	10,236	298,916
SEGMENT PROFIT	77,814	2,691	17,782	3,188	101,475
Unallocated income					5,675
Unallocated expenses					(61,021)
Finance costs					(2,802)
Unallocated other gains and losses					3,677
Profit before taxation					47,004

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

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

The CODM makes decisions according to operating results of each segment. Therefore, only segment revenue and segment results are presented.

Segment assets and liabilities

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

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets (excluding financial assets at fair value through profit or loss) are principally located in the PRC, no geographical segment information is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A[1]	103,935	66,857
Customer B[2]	N/A[4]	29,200
Customer C[1&3]	N/A[4]	27,148
Customer D[2]	N/A[4]	31,946
Customer E[1]	50,389	N/A[4]
Customer F[1]	43,090	N/A[4]
Customer G[1]	33,461	N/A[4]

1 Revenue from intelligent terminal products sales segment
2 Revenue from system integration segment
3 Revenue from system maintenance services segment
4 The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	79	23
Rental income	508	490
Government grants *(Note)*	4,993	4,673
Commission income	–	188
Others	95	148
	5,675	5,522

Note: Government grants represented unconditional grants in relation to sale of qualifying technological products granted by the local government to 艾伯資訊(深圳)有限公司 (IBO Information (Shenzhen) Limited) ("**IBO**").

7. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Loss on disposal of a subsidiary *(Note)*	(237)	–
Loss on disposal of property, plant and equipment	(3)	–
Gain on change in fair value of investment properties	1,140	160
Gain on change in fair value of financial assets at FVTPL	1,911	–
Loss on change in fair value of consideration payables *(Note 32)*	(4,149)	–
Net exchange gain (loss)	5,015	(4,192)
	3,677	(4,032)

Note: On 22 March 2019, the Group disposed of its equity interest in 博海智能科技(深圳)有限公司 (Bohai Intelligence Technologies (Shenzhen) Limited) ("**Shenzhen Bohai**"), a non-wholly owned subsidiary of the Group at nil consideration, the net assets of Shenzhen Bohai at the date of disposal was RMB237,000.

8. IMPAIRMENT LOSSES, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment losses (recognised) reversed on:		
— Rental deposits	(10)	–
— Trade receivables	223	–
— Other receivables	(29)	–
— Contract assets	(12)	–
	172	–

Details of impairment assessment for the year ended 31 March 2019 are set out in note 35.

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	1,598	1,868
Interest on bonds payables	1,204	–
	2,802	1,868

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax:		
Hong Kong	**299**	–
PRC Enterprise Income Tax ("**EIT**")	**12,306**	10,245
Withholding tax	**–**	1,350
	12,605	11,595
Deferred tax *(note 29)*	**(541)**	1,366
	12,064	12,961

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 year.

In November 2016, IBO 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 2018 in accordance to the PRC EIT Law.

In November 2016, 深圳市偉圖科技開發有限公司 (Shenzhen Weitu Technology Development Company Limited) ("**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 2018 in accordance to the PRC EIT Law.

The management of the Group is of the view that the renewal of the qualification as HNTE by IBO and Weitu Technology after expiry in December 2018 is without significant obstacles in view of the normal administration practice of the Shenzhen Loral Taxation Administrator and the conditions of IBO and Weitu Technology, the concessionary tax rate shall continue to apply.

During the year, no provision of EIT for other subsidiaries have been made as no assessable income arises in, nor is derived from the PRC.

10. INCOME TAX EXPENSE (Continued)

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**47,004**	48,437
Tax at the applicable tax rate of 15%	**7,051**	7,266
Tax effect of expenses not deductible for tax purposes	**3,136**	3,556
Additional tax benefit on research and development expenses *(Note)*	**(650)**	(537)
Deferred tax on undistributed earnings of PRC subsidiaries	**2,527**	2,676
	12,064	12,961

Note: Pursuant to the relevant tax rules and regulations, the Group could obtain additional tax benefit, which is a further 75% of certain qualified research and development cost incurred endorsed by the Shenzhen Local Taxation Administrator.

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2019 RMB'000	2018 RMB'000
Directors' remuneration:		
— Fees	2,657	623
— Salaries and other allowances	1,921	1,465
— Retirement benefit scheme contributions	190	168
— Equity-settled share-based payments	4,401	–
Other staff costs:		
— Salaries and other allowances	17,361	11,840
— Retirement benefit scheme contributions	1,809	1,167
— Equity-settled share-based payments	8,802	–
Total staff costs	37,141	15,263
Auditor's remuneration	2,494	2,101
Surcharges on overdue payments to governmental authorities and compensation expenses	–	498
Depreciation of property, plant and equipment	1,714	917
Amortisation of intangible assets (included in cost of sales and services rendered and administrative expenses)	6,524	–
Cost of inventories recognised as an expense (included in cost of sales and services rendered)	171,996	116,960
Gross rental income from investment properties net of negligible direct operating expenses incurred for investment properties	508	490
Minimum operating lease rental expense in respect of rented premises	5,413	2,966

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company during the year are as follows:

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Year ended 31 March 2019					
Executive directors:					
Mr. Lai Tse Ming	1,031	386	15	–	1,432
Mr. Gao Weilong ("**Mr. Gao**") *(Note)*	309	466	75	1,467	2,317
Mr. Teng Feng ("**Mr. Teng**")	309	374	76	1,467	2,226
Mr. Yu Kin Keung ("**Mr. Yu**")	309	495	15	1,467	2,286
Mr. Lyu Huiheng	309	200	9	–	518
Independent non-executive directors:					
Dr. He Tianxiang	130	–	–	–	130
Dr. Wong Kwok Yan	130	–	–	–	130
Mr. Hung Muk Ming	130	–	–	–	130
Total	2,657	1,921	190	4,401	9,169

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 March 2018				
Executive directors:				
Mr. Lai Tse Ming	241	381	11	633
Mr. Gao *(Note)*	73	276	70	419
Mr. Teng	73	324	72	469
Mr. Yu	73	484	15	572
Mr. Lyu Huiheng	73	–	–	73
Independent non-executive directors:				
Dr. He Tianxiang	30	–	–	30
Dr. Wong Kwok Yan	30	–	–	30
Mr. Hung Muk Ming	30	–	–	30
Total	623	1,465	168	2,256

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

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

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

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

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

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

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include 3 directors (2018: 4 directors) of the Company, details of whose emoluments are set out in note 12 above. Details of the emoluments for the year of the remaining 2 (2018: 1) highest paid employee who is neither director nor chief executive of the Company are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other allowances	**669**	324
Retirement benefit scheme contributions	**67**	72
Equity-settled share-based payments	**2,933**	–
	3,669	396

The emoluments of the employees were within the following bands:

	2019 **Number of employees**	2018 Number of employee
Nil to Hong Kong Dollar ("**HK$**") 1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**2**	–

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

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor had any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

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

	2019 **RMB'000**	2018 RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**33,951**	35,476

	2019 **'000**	2018 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	325,753
Effect of dilutive potential ordinary shares:		
Over-allotment options	**–**	122
Share options	**765**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**400,765**	325,875

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2018 has been determined on the assumption that the reorganisation as set out on the prospectus dated 14 December 2017 had been effective on 1 April 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Building RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
COST						
At 1 April 2017	741	–	352	910	8,778	10,781
Additions	–	–	–	853	117	970
At 31 March 2018	741	–	352	1,763	8,895	11,751
Additions	2,332	–	174	2,451	322	5,279
Acquired on acquisition of subsidiaries *(note 32)*	–	513	10	–	281	804
Disposals	–	–	–	–	(70)	(70)
At 31 March 2019	**3,073**	**513**	**536**	**4,214**	**9,428**	**17,764**
DEPRECIATION						
At 1 April 2017	700	–	333	797	5,057	6,887
Provided for the year	23	–	–	44	850	917
At 31 March 2018	723	–	333	841	5,907	7,804
Provided for the year	364	8	3	450	889	1,714
Eliminated on disposals	–	–	–	–	(66)	(66)
At 31 March 2019	**1,087**	**8**	**336**	**1,291**	**6,730**	**9,452**
CARRYING VALUES						
At 31 March 2019	**1,986**	**505**	**200**	**2,923**	**2,698**	**8,312**
At 31 March 2018	18	–	19	922	2,988	3,947

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

Leasehold improvements	Over the term of the relevant lease, or 5 years whichever is shorter
Building	Over 20 years
Furniture and fixtures	Over 5 years
Motor vehicles	Over 5–10 years
Office equipment	Over 5–10 years

17. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 April 2017	19,200
Gain on fair value change recognised in profit or loss	160
At 31 March 2018	19,360
Gain on fair value change recognised in profit or loss	1,140
At 31 March 2019	20,500

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

The fair values of the Group's investment properties situated on land in the PRC as at 31 March 2019 and 2018 have been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), independent qualified professional valuers not connected to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value was determined based on direct comparison approach for the buildings. The approach uses prices generated by market transactions involving comparable properties.

One of the key inputs used in valuing the buildings was the price per square meter adjusted by locations, size and conditions of the buildings, which ranged from RMB28,000 to RMB32,000 (2018: RMB26,000 to RMB28,000) as at 31 March 2019. Higher price per square meter used would result in a higher fair value of the respective buildings and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Fair value hierarchy	2019 RMB'000	2018 RMB'000
Commercial property units located in Shenzhen, the PRC	Level 3	**20,500**	19,360

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

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

18. GOODWILL

	RMB'000
COST AND CARRYING VALUES	
As at 1 April 2017 and 31 March 2018	–
Arising on acquisition of subsidiaries *(note 32)*	44,157
As at 31 March 2019	44,157

Particulars regarding impairment testing on goodwill are disclosed in note 20.

19. INTANGIBLE ASSETS

	Development costs RMB'000	Brand name RMB'000	Club membership RMB'000	Customer relationship RMB'000	Total RMB'000
COST					
As at 1 April 2017 and 31 March 2018	–	–	–	–	–
Acquired on acquisition of subsidiaries *(note 32)*	27,701	21,300	–	23,867	72,868
Acquisition of a club membership	–	–	818	–	818
As at 31 March 2019	27,701	21,300	818	23,867	73,686
AMORTISATION					
As at 1 April 2017 and 31 March 2018	–	–	–	–	–
Charge for the year	1,111	–	38	5,375	6,524
As at 31 March 2019	1,111	–	38	5,375	6,524
CARRYING VALUES					
As at 31 March 2019	26,590	21,300	780	18,492	67,162
As at 31 March 2018	–	–	–	–	–

Development costs, brand name and customer relationship are mainly acquired from acquisition of Bright Leap Limited ("**Bright Leap**"), a limited liability company incorporated in British Virgin Islands ("**BVI**"), together with its subsidiaries ("**Bright Leap Group**"). Club membership is acquired from third parties.

The management of the Group considers development costs and club membership have finite useful lives and are amortised on a straight-line basis over the following periods:

Development costs	6.2 years
Club membership	20 years

19. INTANGIBLE ASSETS (Continued)

Customer relationship has finite estimated useful lives and it is amortised based on expected economic benefit generated from customer relationship.

Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 20.

20. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and brand name with indefinite useful lives set out in notes 18 and 19 respectively have been allocated to two individual CGUs, comprising the system integration segment and the software development segment. The carrying amounts of goodwill and brand name allocated to these units are as follows:

	Goodwill		**Brand name with indefinite useful life**	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
System integration business (Unit A)	**38,177**	–	**18,614**	–
Software development business (Unit B)	**5,980**	–	**2,686**	–
	44,157	–	**21,300**	–

During the year ended 31 March 2019, the management of the Group determines that there is no impairment of the CGUs containing goodwill and brand name with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

20. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Unit A

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rates of 33.49%. The CGUs' cash flows beyond the five-year period are extrapolated using a steady 2.00% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include initial growth of revenue from the integration of hardware with software applications to customers over the internet, which is based on management's expectations on customers' needs and the market development.

Increased by 10% in the discount rate would result in the aggregate carrying amount of this CGU to exceed its corresponding recoverable amount up to RMB13,313,000; if the discount rate rose to 33.78%, the recoverable amount of Unit A would be approximately equal to its carrying amount. Save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

Unit B

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rates of 33.07%. The CGUs' cash flows beyond the five-year period are extrapolated using a steady 2.00% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include initial growth of revenue upon establishment of a new platform for offering software applications to customers over the internet, which is based on management's expectations on customers' needs and the market development.

Increased by 10% in the discount rate would result in the aggregate carrying amount of this CGU to exceed its corresponding recoverable amount up to RMB1,859,000; if the discount rates rose to 34.50%, the recoverable amount of Unit B would be approximately equal to its carrying amount. Save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of respective CGU.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Financial assets mandatorily measured at FVTPL:		
Non-current:		
Convertible bonds *(Note a)*	460	–
Current:		
Listed securities held for trading *(Note b)*	7,793	–

Notes:

a. Convertible bonds

On 30 October 2018, the Group entered into a convertible bonds agreement with a third party, Asia Energy Logistics Group Limited ("**Asia Energy**"), a company which is listed in the Main Board of Stock Exchange, to subscribe for 3-year unlisted convertible bonds issued by Asia Energy. The convertible bonds was issued on 30 October 2018 with a principal amount of HK$500,000 (equivalent to approximately RMB443,000) and a maturity date on 11 August 2021, entitling the Group to convert the convertible bonds into shares of Asia Energy at an initial conversion price of HK$0.093 per share (subject to adjustments) from 11 August 2019 until 11 August 2021. The coupon rate of the convertible bonds is 2.5% per annum. As at 31 March 2019, the carrying value of the convertible bonds is HK$536,000 (equivalent to RMB460,000). The change in fair value of convertible bonds of RMB17,000 is recognised to profit or loss during the year ended 31 March 2019.

The convertible bonds is accounted for as a financial asset at FVTPL in accordance with HKFRS 9. The Group determined the appropriate valuation technique and inputs for Level 3 fair value measurements. In estimating the fair value of the convertible bonds, the Group uses market-observable data to the extent it is available. The fair value of the convertible bonds as at 31 March 2019 was determined by the directors of the Company with reference to the valuation performed by JLL, an independent qualified valuer, using discounted cash flow method for the equity component at the risk-free rate and the liability component at the risk-free rate plus a credit spread, both of which can be represented by a Black-Scholes equation. The valuation is performed at the end of the reporting period. Details of the method and assumptions used in the valuation of the convertible bonds are as follows:

	31 March 2019
Stock price	HK$0.079
Conversion price (as adjusted)	HK$0.093
Expected volatility	65.39%
Expected dividend yield	0.00%
Discount rate	15.49%
Option life	2.61 years
Risk-free rate	1.36%

b. Listed securities held for trading

The listed securities mainly represent the Group's equity interests in several companies which are listed on the Main Board of the Stock Exchange.

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**824**	363
Finished goods	**51,073**	882
	51,897	1,245

23. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**156,025**	102,100
Less: allowance for doubtful debts	**(1,403)**	–
	154,622	102,100
Retention receivables	**–**	1,449
Other receivables	**762**	2,815
VAT recoverable	**–**	2,826
Prepayments	**84,765**	73,988
Rental deposit	**835**	81
Total trade and other receivables	**240,984**	183,259

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to RMB156,025,000 and RMB102,100,000 respectively.

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

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

	2019 RMB'000	2018 RMB'000
0–30 days	**96,078**	26,226
31–90 days	**12,909**	7,995
91–180 days	**37,177**	16,952
181–365 days	**3,075**	29,351
Over 365 days	**5,383**	21,576
	154,622	102,100

23. TRADE AND OTHER RECEIVABLES (Continued)

The directors of the Company assessed the impairment based on the ECL model upon the application of HKFRS 9 as at 1 April 2018 and 31 March 2019.

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB9,394,000 which are past due as at the reporting date. Out of the past due balances, RMB7,208,000 has been past due 90 days or more and is not considered as in default, because the management expects that the debtor is able and likely to pay for the debts based on the debtors' repayment history and subsequent settlements. The Group does not hold any collateral over these balances.

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

Ageing of trade receivables which are past due but not impaired

	2018 RMB'000
181–365 days	29,401
Over 365 days	21,752
Total	51,153

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 35.

24. CONTRACT ASSETS/AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	31 March 2019 RMB'000	1 April 2018* RMB'000
Contract assets:		
Retention receivables	**12,215**	1,420
System integration and software development	**–**	2,199
	12,215	3,619

* The amounts in this column are after the adjustments from the application of HKFRSs 9 and 15.

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

Details of the impairment assessment are set out in note 35.

Amounts due from customers for contract works

	2018 RMB'000
Contract costs incurred to date	95,493
Add: Recognised profits less recognised losses	48,600
	144,093
Less: Progress billings	(141,894)
	2,199

25. AMOUNTS DUE FROM A RELATED COMPANY/FROM (TO) NON-CONTROLLING INTERESTS

Amount due from a related company

	2019 RMB'000	2018 RMB'000
Name of a related company		
怡明投資有限公司		
(Emax Investment Limited) ("**Emax**")	38	–

The amount due from a related company, which is controlled by Mr. Lai Tse Ming, is rental receivable, unsecured, non-interest bearing and repayable on demand. The aging of the amount is within one year.

Amounts due from non-controlling interests

	2019 RMB'000	2018 RMB'000
Name of non-controlling interests		
Big Victory Global Limited	20	–
Yi Family Holding Limited Company	16	–
Wisdom Galore Limited ("**Wisdom Galore**")	161	–
	197	–

The amounts due from non-controlling interests are non-trade nature, unsecured, non-interest bearing and repayable on demand.

Amounts due to non-controlling interests

	2019 RMB'000	2018 RMB'000
Name of non-controlling interests		
Wisdom Galore Limited	7,360	–
Mr. Ke Chengwei ("**Mr. Ke**"")	6,321	–
	13,681	–

The amounts due to non-controlling interests are non-trade nature, unsecured, non-interest bearing and repayable on demand.

26. BANK BALANCES AND CASH

Bank balances and cash

Bank balances and cash comprise cash on hand and bank balances. Bank balances carried interest at prevailing market interest rates which were ranging from 0.01% to 0.35% (2018: 0.01% to 0.8% per annum) as at 31 March 2019.

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

	2019 RMB'000	2018 RMB'000
HK$	**12,488**	60,310

27. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**40,584**	37,518
Other payables and other accruals	**5,751**	3,097
Other tax payable	**23,178**	13,695
Accrued payroll expenses	**2,870**	1,091
Interest payables	**716**	–
Amount due to a third party	**741**	–
Listing expenses payables	**–**	2,065
Total trade and other payables	**73,840**	57,466

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

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

	2019 RMB'000	2018 RMB'000
0–30 days	**11,113**	5,590
31–90 days	**821**	1,317
Over 90 days	**28,650**	30,611
	40,584	37,518

28. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank borrowings	**25,632**	6,500
Carrying amount of the above borrowings are repayable:		
Within one year	**25,109**	6,500
More than one year, but not more than two years	**340**	–
More than two years, but not more than five years	**183**	–
	25,632	6,500
Less: Amounts due within one year shown under current liabilities	**(25,109)**	(6,500)
Amounts shown under non-current liabilities	**523**	–
Breakdown of the bank borrowings:		
Fixed-rate borrowings	**6,832**	6,500
Floating-rate borrowings	**18,800**	–
	25,632	6,500

The Group's variable rate borrowings carry interest at prevailing rate of People's Bank of China plus a spread.

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

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**9.00% to 9.50%**	5.7% to 8.5%
Variable-rate borrowings	**6.53% to 7.24%**	N/A

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of RMB20,500,000 (2018: RMB19,360,000) as at 31 March 2019 has been pledged and mortgaged to the banks.

29. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**1,985**	–
Deferred tax liabilities	**(24,544)**	(6,065)
	(22,559)	(6,065)

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

	ECL provision RMB'000	Revaluation of property RMB'000	Undistributed earnings of PRC entities RMB'000 *(Note)*	Share option RMB'000	Fair value adjustments of intangible assets on business combination RMB'000	Total RMB'000
At 1 April 2017	–	1,922	2,777	–	–	4,699
Charge to profit or loss *(note 10)*	–	40	1,326	–	–	1,366
At 31 March 2018	–	1,962	4,103	–	–	6,065
Effect of HKFRS 9 application	(254)	–	–	–	–	(254)
At 1 April 2018 (restated)	(254)	1,962	4,103	–	–	5,811
Acquisition of subsidiaries *(note 32)*	–	–	–	–	17,289	17,289
Charge (credit) to profit or loss *(note 10)*	29	285	2,527	(1,760)	(1,622)	(541)
At 31 March 2019	**(225)**	**2,247**	**6,630**	**(1,760)**	**15,667**	**22,559**

Note: Under the EIT Law of the PRC, withholding tax are imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2019, deferred taxation has been provided for in the consolidated financial statements in respect of all temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to approximately RMB132,557,000 (2018: RMB82,022,000).

30. BONDS PAYABLES

During the current year, the Group issued bonds at par value in an aggregate principal amount of HK$34,600,000 (the "**Bonds**"). The Bonds are denominated in HK$ and are unlisted. The Bonds carry interest at a nominal rate of 7% per annum, payable annual in arrears with a maturity period of 2 to 3 years. The proceeds are being utilised for general working capital of the Group. The commission fee amounted to HK$3,936,000 was deducted from the placing proceeds.

31. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017	39,000,000	390
Increase during the year *(Note a)*	961,000,000	9,610
At 31 March 2018 and 31 March 2019	1,000,000,000	10,000

	Number of shares	Share capital HK$'000	Shown in the consolidated statement of financial position RMB'000
Issued:			
At 1 April 2017	100,000	1	1
Capitalisation issue *(Note b)*	299,900,000	2,999	2,511
Issue of new shares upon listing *(Note c)*	100,000,000	1,000	837
At 31 March 2018 and 31 March 2019	400,000,000	4,000	3,349

Notes:

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

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

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

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

32. ACQUISITION OF SUBSIDIARIES

In September 2018, Upright Joy Limited ("**Upright Joy**"), a wholly owned subsidiary of the Group, entered into a series of acquisition agreements with Wisdom Galore ("**Wisdom Galore Acquisition Agreement**") and Thriving Ascend Limited ("**Thriving Ascend**"), independent third parties, for the acquisition of 51.73% equity interest in Bright Leap Group, which wholly owns Weitu Technology, a company established in the PRC with limited liability, together with its subsidiaries ("**Weitu Group**"). On 24 January 2019, the Group completed the acquisition of the 51.73% equity interests in Bright Leap Group at a consideration of RMB75,466,000, which shall be settled by (i) RMB35,091,000 in cash; and (ii) the allotment and issuance of up to 27,318,773 shares (the "**Consideration Shares**") of the Company.

Bright Leap is an investment holding company. The principal activities of its subsidiaries are engaged in business of system integration and software development.

Consideration transferred

	RMB'000
Cash paid and payable	35,091
Consideration payable in Consideration Shares *(Note)*	40,375
	75,466

Acquisition-related costs amounting to RMB893,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Note:

Pursuant to the Wisdom Galore Acquisition Agreement, the Consideration Shares, subject to adjustments based on future results of the Bright Leap Group, shall be paid in three instalments, which shall be satisfied by the allotment and issue of the respective maximum number of new ordinary shares of the Company within thirty days after the date of issuance of the audited financial statements for all subsidiaries in the PRC of the Bright Leap Group for year ending 31 March 2019, 2020 and 2021 following the completion of the acquisition of Bright Leap Group ("**Relevant Periods**").

Pursuant to the Wisdom Galore Acquisition Agreement, Wisdom Galore irrevocably and unconditionally guarantee to the Group that the audited consolidated net profit after taxation ("**Actual Net Profit**") of all subsidiaries in the PRC of the Bright Leap Group based on the audited financial statements for the respective Relevant Periods, shall not be less than the guaranteed profits ("**Guaranteed Profits**"). If the Actual Net Profit is less than the Guarantee Profits, the number of new ordinary shares of the Company to be issued as consideration should be adjusted in accordance with the terms of Wisdom Galore Acquisition Agreement. The details of Wisdom Galore Acquisition Agreement are set out in the announcements issued by the Company dated 14 and 21 September 2018.

At the date of obtaining the control of Bright Leap Group and 31 March 2019, the directors of the Company considered that the Guaranteed Profits for each of the three Relevant Periods shall be achievable, 27,318,773 new ordinary shares of the Company should be issued in accordance with Wisdom Galore Acquisition Agreement.

The consideration payable is recognised at fair value. Subsequent to the initial recognition, the consideration payables is measured at fair value with changes in FVTPL. The fair value of the consideration payable at the date of acquisition of Bright Leap Group of RMB40,375,000 is determined by reference to the quoted market price of HK$1.71 (equivalent to RMB1.48) per each of the ordinary shares of the Company at the date of obtaining the control of Bright Leap Group. As at 31 March 2019, the fair value of the consideration payable is RMB44,524,000 which is determined by reference to the quoted market price of HK$1.90 (equivalent to RMB1.63) per each of the ordinary shares of the Company at 31 March 2019. The Group recognised a loss on change in fair value of consideration payable of RMB4,149,000 in profit or loss during the year ended 31 March 2019.

The directors of the Company considered that 10,927,302 Consideration Shares of the Company will be issued within one year from 31 March 2019 and the remaining 16,391,471 new ordinary shares of the Company will be issued after one year from 31 March 2019 in accordance with the terms of Wisdom Galore Acquisition Agreement. Accordingly, the carrying amount of consideration payable of RMB17,810,000 is classified as current liabilities and the carrying amount of consideration payable of RMB26,714,000 is classified as non-current liabilities.

32. ACQUISITION OF SUBSIDIARIES (Continued)

Assets and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	804
Intangible assets	72,868
Rental deposits	49
Cash and cash equivalents	209
Trade and other receivables	9,726
Contract assets	4,303
Trade and other payables	(3,204)
Amount due to Mr. Ke	(5,665)
Tax payables	(1,279)
Deferred tax liabilities	(17,289)
	60,522

The fair value of trade and other receivables at the date of acquisition amounted to RMB9,726,000, while the gross contractual amounts of those trade and other receivables acquired amounted to RMB9,870,000 at the date of acquisition. The fair values of intangible assets (representing development costs amounting RMB27,701,000, brand name amounting RMB21,300,000 and customer relationship amounting RMB23,867,000) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management including discount rates, growth rates and useful lives of the intangible assets.

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	75,466
Plus: non-controlling interests (48.27% in Bright Leap Group)	29,213
Less: recognised amount of identifiable net assets acquired	(60,522)
Goodwill arising on acquisition	44,157

The non-controlling interest (48.27%) in Bright Leap Group recognised at the acquisition date was measured by reference to the proportionate share of fair value of net assets of Bright Leap Group and amounted to RMB29,213,000.

Goodwill arose on the acquisition of Bright Leap Group because the acquisition included a control premium. In addition, the goodwill included amounts in relation to expected synergies, revenue growth, future market development and the assembled workforce for Bright Leap Group. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

32. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflows arising on acquisition of Bright Leap Group

	RMB'000
Consideration paid in cash	26,990
Less: cash and cash equivalents balance acquired	(209)
	26,781

Included in the net profit for the year is RMB2,099,000 attributable to Bright Leap Group. Revenue for the year includes about RMB12,101,000 is attributable to Bright Leap Group.

Had the acquisition been completed on 1 April 2018, total group revenue for the year would have been about RMB310,826,000 and profit for the year would have been about RMB37,853,000.The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Bright Leap Group been acquired at the beginning of the current year, the directors of the Company have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

33. OPERATING LEASES

The Group as lessee

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**5,169**	3,250
In the second year to fifth year inclusive	**2,683**	2,886
	7,852	6,136

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

33. OPERATING LEASES (Continued)

The Group as lessor

Property rental income earned during the year was RMB508,000 (2018: RMB490,000). All of the properties leased out have committed tenants with fixed rent and lease term ranged from 1 to 2 years without termination options granted to tenants.

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

	2019 RMB'000	2018 RMB'000
Within one year	**334**	408
In the second year to fifth year inclusive	**120**	–
	454	408

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 28, bonds payables disclosed in note 30, amounts due to non-controlling interests disclosed in note 25, net of cash and cash equivalent, and equity attributable to owners of the Group.

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

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at FVTPL		
Mandatorily measured at FVTPL	**8,253**	–
Financial assets at amortised cost	**217,303**	–
Loans and receivables (including cash and cash equivalents)	**–**	189,083
Financial liabilities		
Financial liabilities at FVTPL		
Consideration payable	**44,524**	–
Financial liabilities at amortised cost	**110,959**	48,867

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Certain of the Group's bank balances, financial assets at FVTPL, trade and other receivables, amount(s) due from (to) non-controlling interests and a related company, trade and other payables, bank borrowings, bonds payables and consideration payable are denominated in foreign currencies other than the functional currency of the respective group entities, which expose the respective group entities to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

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

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
HK$	**22,014**	60,505	**(81,237)**	(2,065)

35. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) *Currency risk (Continued)*

Sensitivity analysis

The following table below details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against HK$ as at 31 March 2019. 5% (2018: 5%) is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign exchange currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthen 5% (2018: 5%) against HK$. For a 5% (2018: 5%) weakening of RMB against HK$, there would be an equal and opposite impact on the profit or loss.

	2019 **RMB'000**	2018 RMB'000
HK$	**2,473**	(2,440)

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 28 for details of bank borrowings) and bonds payables (see note 30 for details of bonds payables). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on on-going basis and will consider hedging interest rate risk should the need arises.

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 50 basis points (2018: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would have decreased/increased by RMB80,000 (2018: nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) *Other price risk*

The Group is exposed to equity price risk through its investment in listed equity securities measured at FVTPL. The Group has appointed designated personnel to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the post-tax profit for the year ended 31 March 2019 would increase/decrease by RMB325,000 as a result of the changes in fair value of investments at FVTPL.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

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

The Group's credit risk are primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

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

As at 31 March 2019, the Group has concentration of credit risk as 78.6% (2018: 90.3%) of the total trade receivables are due from the Group's five largest trade debtors. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and trade receivables, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Fair risk	The aging of exposure slightly exceeds the credit term granted	Lifetime ECL — not credit-impaired	12m ECL
Substandard	The aging of exposure exceeds the credit term granted and the risk of non-payment increases as the time period is longer than normal expected process	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Doubtful	There have been significant increases of credit risk since initial recognition	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Loss	Recovery of complete repayments may be difficult	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and other items which are subject to ECL assessment:

2019	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000	Gross carrying amount RMB'000
Financial assets at amortised costs						
Trade receivables	*23*	N/A	*(Note b)*	Lifetime ECL (not credit impaired)	**155,895**	
			Loss	Credit-impaired	**130**	**156,025**
Other receivables	*23*	N/A	*(Note a)*	12m ECL	**811**	**811**
Rental deposits	*23*	N/A	*(Note a)*	12m ECL	**1,441**	**1,441**
Amount due from a related company	*25*	N/A	*(Note a)*	12m ECL	**38**	**38**
Amounts due from non-controlling interests	*25*	N/A	*(Note a)*	12m ECL	**197**	**197**
Bank balances and cash	*26*	AAA	N/A	12m ECL	**61,684**	**61,684**
Other item						
Contract assets	*24*	N/A	*(Note b)*	Lifetime ECL	**12,256**	**12,256**

Notes:

a. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. At 31 March 2019, these amounts are not past due or they have no fixed repayment terms.

b. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL on individual basis.

35. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The credit rating is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2019, the Group has reversed RMB233,000 impairment allowance for trade receivables, based on individual assessments. Impairment allowance of RMB130,000 were made on credit impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 March 2018 under HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	1,626	–	1,626
As at 1 April 2018 — As restated	1,626	–	1,626
Changes due to financial instruments recognised as at 1 April			
— Transfer to credit-impaired	(103)	103	–
— Impairment losses (reversed) recognised	(623)	27	(596)
New financial assets originated	373	–	373
As at 31 March 2019	**1,273**	**130**	**1,403**

During the year ended 31 March 2019, the Group provided RMB10,000, RMB12,000 and RMB29,000 impairment allowance for rental deposits, contract assets and other receivables respectively, based on individual assessment. As at 31 March 2019, the loss allowance balances of rental deposits, contract assets and other receivables amounted to RMB28,000, RMB41,000 and RMB49,000, respectively.

35. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

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

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

Liquidity and interest risk table

	Weighted average effective interest %	On demand or less than 1 months RMB'000	Within 1 to 3 months RMB'000	Within 3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 March 2019							
Trade and other payables	–	44,919	–	–	–	44,919	44,919
Bank borrowings							
— floating rate	6.91	–	610	18,707	–	19,317	18,800
— fixed rate	9.06	–	6,131	257	645	7,033	6,832
Bonds payables	7.00	–	–	–	34,655	34,655	26,727
Amounts due to non-controlling interests	–	13,681	–	–	–	13,681	13,681
		58,600	6,741	18,964	35,300	119,605	110,959
31 March 2018							
Trade and other payables	–	42,367	–	–	–	42,367	42,367
Fixed-rates bank borrowings	8.50	–	6,564	–	–	6,564	6,500
		42,367	6,564	–	–	48,931	48,867

35. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial statements

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The management of the Company engaged an independent qualified professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

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

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 March 2019

	Level 1 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Convertible bonds	–	460	460
Listed equity securities	7,793	–	7,793
Financial liabilities			
Consideration payable	–	44,524	44,524

Financial assets/ financial liabilities	Fair value as at 31 March 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Financial assets				
Convertible bonds	RMB460,000	Level 3	Discounted cash flow method	Expected volatility *(Note 1)*
Listed equity securities	RMB7,793,000	Level 1	Quoted bid prices in an active market	N/A
Financial liabilities				
Consideration payable	RMB44,524,000	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 as detailed in note 32 *(Note 2)*

Notes:

1. A slight increase in the expected volatility would not result in a significant increase in the fair value measurement of the convertible bonds, and vice versa.

2. A significant decrease in the probability-adjusted profits used in isolation would result in a significant decrease in the fair value measurement of the consideration payable. A 10% decrease in the probability-adjusted profits holding all other variables constant would decrease the carrying amount of the consideration payable by RMB405,000.

35. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial statements (Continued)

(ii) Reconciliation of Level 3 fair value measurements

31 March 2019

	Convertible bonds RMB'000
Opening balance	–
Purchases	443
Unrealised change in fair value	17
Closing balance	460

There were no transfers into or out of Level 1, 2 and 3 during this year.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued issue costs RMB'000	Bank borrowings RMB'000	Bond payables RMB'000	Amount due to a director RMB'000	Amounts due to non-controlling interests RMB'000	Amount due to a third party RMB'000	Interest payables RMB'000	Total RMB'000
At 1 April 2017	442	35,600	–	17,519	–	–	–	53,561
Financing cash flows *(Note)*	(9,670)	(30,968)	–	(17,519)	–	–	–	(58,157)
Finance costs recognised/issue costs accrued	9,305	1,868	–	–	–	–	–	11,173
At 31 March 2018	77	6,500	–	–	–	–	–	6,577
Financing cash flows *(Note)*	(77)	17,534	26,789	–	656	–	–	44,902
Finance costs recognised	–	1,598	488	–	–	–	716	2,802
Unrealised exchange gain	–	–	(550)	–	–	–	–	(550)
Acquisition of subsidiaries	–	–	–	–	13,025	741	–	13,766
At 31 March 2019	**–**	**25,632**	**26,727**	**–**	**13,681**	**741**	**716**	**67,497**

Note: The cash flows represent (i) the proceeds from and repayment of bank borrowings and related interest paid, (ii) the proceeds from bond payables, (iii) payment of issue costs, and (iv) the advances from non-controlling interests.

37. SHARE OPTION SCHEME

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

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

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

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

The scheme mandate limit of the Scheme was refreshed on 26 September 2018 as the Company's Shareholders passed an ordinary resolution at an extraordinary general meeting of the Company to refresh the 10% scheme mandate limit under the Scheme in order to enable the Company to grant further options up to a maximum of 40,000,000 Shares based on the 400,000,000 issued Shares.

37. SHARE OPTION SCHEME (Continued)

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

Name and/or category of grantees	Date of grant of share options	Number of share options: Outstanding as at 1 April 2018	During the period: Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 March 2019	Vesting period of shares options	Exercisable period of shares options	Exercise price per share	Closing price per share immediately before the date of grant
Directors											
Mr. Gao	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018 to 28 June 2021	1.612	1.55
Mr. Gao	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018 to 28 June 2019	29 June 2019 to 28 June 2021	1.612	1.55
Mr. Gao	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018 to 28 June 2020	29 June 2020 to 28 June 2021	1.612	1.55
Mr. Teng	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018 to 28 June 2021	1.612	1.55
Mr. Teng	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018 to 28 June 2019	29 June 2019 to 28 June 2021	1.612	1.55
Mr. Teng	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018 to 28 June 2020	29 June 2020 to 28 June 2021	1.612	1.55
Mr. Yu	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018 to 28 June 2021	1.612	1.55
Mr. Yu	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018 to 28 June 2019	29 June 2019 to 28 June 2021	1.612	1.55
Mr. Yu	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018 to 28 June 2020	29 June 2020 to 28 June 2021	1.612	1.55
Consulting firm											
Chatwin Capital Service Limited	29 June 2018	–	1,200,000	–	–	–	1,200,000	Vested immediately on the date of grant	29 June 2018 to 28 June 2021	1.612	1.55
Chatwin Capital Service Limited	29 June 2018	–	1,200,000	–	–	–	1,200,000	29 June 2018 to 28 June 2019	29 June 2019 to 28 June 2021	1.612	1.55
Chatwin Capital Service Limited	29 June 2018	–	1,600,000	–	–	–	1,600,000	29 June 2018 to 28 June 2020	29 June 2020 to 28 June 2021	1.612	1.55
Employees	29 June 2018	–	7,200,000	–	–	–	7,200,000	Vested immediately on the date of grant	29 June 2018 to 28 June 2021	1.612	1.55
Employees	29 June 2018	–	7,200,000	–	–	–	7,200,000	29 June 2018 to 28 June 2019	29 June 2019 to 28 June 2021	1.612	1.55
Employees	29 June 2018	–	9,600,000	–	–	–	9,600,000	29 June 2018 to 28 June 2020	29 June 2020 to 28 June 2021	1,612	1.55
Total		–	40,000,000	–	–	–	40,000,000				
Exercisable at the end of the year							12,000,000				

37. SHARE OPTION SCHEME (Continued)

30% of the share options granted to directors and employees are vested on the grant date, 30% of the share options granted to directors and employees will be vested on 1 year from the grant date and remaining 40% of the share options granted to directors and employees will be vested on 2 years from the grant date.

The Group measures the fair value of share options granted to a consulting firm by reference to the fair values of services rendered. The fair value of the options granted to directors and employees and to the consulting firm at the date of grant were HK$23,196,000 and HK$2,577,000 respectively, equivalent to RMB19,557,000 and RMB2,173,000 respectively. Vesting period of share options granted to the consulting firm is by reference to the service rendered/to be rendered by the consulting firm. The Group recognised the expense of RMB14,668,000 for the year ended 31 March 2019 (2018: nil) in relation to share options granted by the Company. No share options granted under the Scheme were exercised up to the end of the reporting period.

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

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

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

The following assumptions were used in the Binomial model to calculate the fair values of share options granted to directors and employees:

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

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

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

38. RETIREMENT BENEFIT SCHEMES

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

During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to RMB1,999,000 (2018: RMB1,335,000) for the year ended 31 March 2019.

39. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in note 25.

(b) Related party transactions

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

	2019 RMB'000	2018 RMB'000
Rental expenses to Emax	**228**	–

(c) Guarantee

As at 31 March 2019, the Group's bank facilities amounting to RMB11,000,000 were personally guaranteed by Mr. Lai Tse Ming, the Controlling Shareholder.

(d) Compensation of key management personnel

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

	2019 RMB'000	2018 RMB'000
Fee	**2,658**	550
Salaries and other allowances	**4,061**	2,308
Retirement benefit scheme contributions	**443**	337
Equity-settled share-based payments	**8,802**	–
	15,964	3,195

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

40. PARTICULARS OF SUBSIDIARIES

Name of subsidiaries	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Effective interest attributable to the Group Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Abacus	17 April 2000 Hong Kong	HK$6,000,000	–	–	**100%**	100%	Sales of intelligent terminal products, provision of system maintenance services and development of customised softwares
Action First[1]	28 July 2015 BVI/Hong Kong	US$10,000	**100%**	–	–	–	Investment holding
Bright Leap	7 April 2018 BVI/Hong Kong	US$50,000	–	–	**51.73%**	–	Investment holding
天昕有限公司 (Celestial Aurora Limited)	28 January 2019 BVI/Hong Kong	US$10,000	–	–	**70%**	–	Investment holding
中裕集團有限公司 (Central Wealth Holdings Limited)	20 April 2018 Hong Kong	HK$10,000	–	–	**100%**	–	Investment holding
創京有限公司 (Creation Chain Limited)	9 November 2018 BVI/Hong Kong	HK$1	–	–	**54.25%**	–	Investment holding
科鋭有限公司 (Cyber Sharp Limited)	30 June 2016 Hong Kong	HK$1	–	–	**100%**	100%	Investment holding
深圳市國桐智能科技有限公司 (Shenzhen Guotong Intelligence Technologies Limited) ("**Guotong**")	4 August 2015 The PRC[3]	RMB10,000,000[4]	–	–	**51%**	51%	Inactive
湖南盈鼎網路有限公司 (Hunan Yingding Network Company Limited) [6]	28 September 2016 The PRC	RMB2,000,000	–	–	**33.62%**	–	Inactive
IBO	13 December 2000 The PRC[2]	HK$28,000,000	–	–	**100%**	100%	Sales of intelligent terminal products, provision of coordination, management and installation services of smart city, provision of system maintenance services and development of customised softwares

40. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Effective interest attributable to the Group Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
深圳市艾伯數字技術有限公司 (IBO Shenzhen Digital Technology Limited) ("**IBO Digital**")	1 November 2016 The PRC[3]	RMB20,000,000[5]	–	–	100%	100%	Collection, process and storage of data, text and graphics
IBO Holdings[1]	13 May 2016 BVI/Hong Kong	United States dollar 1 ("US$1")	100%	100%	–	–	Investment holding
艾伯智能有限公司 (IBO Intelligent Company Limited)	4 May 2018 Hong Kong	HK$10,000	–	–	100%	–	Investment holding
江西方宇運維網路科技有限公司 (Jiangxi Fangyu Yunwei Network Technology Company Limited)[6]	27 June 2017 The PRC	RMB2,000,000	–	–	33.62%	–	Inactive
駿新有限公司 (Jun Sin Limited)	8 October 2018 BVI/Hong Kong	US$50,000	–	–	100%	–	Investment holding
源泉有限公司 (Rise Mark Corporation Limited)	22 June 2018 Hong Kong	HK$1	–	–	51.73%	–	Investment holding
Shenzhen Bohai	12 April 2016 The PRC[3]	RMB20,000,000[5]	–	–	–	35% *(Note)*	Inactive (disposed)
艾伯智能(深圳)有限公司 (Shenzhen IBO Intelligent Company Limited)	13 March 2019 The PRC	RMB20,000,000	–	–	100%	–	Investment holding
Weitu Technology	18 March 2004 The PRC	RMB6,000,000	–	–	51.73%	–	Provision of system maintenance services and development of customised softwares
深圳市運維網路有限公司 (Shenzhen Yunwei Network Company Limited ("**Yunwei Network**")	1 March 2016 The PRC	RMB1,261,905	–	–	51.73%	–	Provision of system maintenance services and development of customised softwares
漢成控股有限公司 (Sino Achiever Holdings Limited)	28 November 2018 BVI/Hong Kong	US$1	–	–	54.25%	–	Investment holding
成悅控股有限公司 (Successful Joy Holdings Limited)[1]	15 November 2018 BVI/Hong Kong	US$1	100%	–	–	–	Investment holding
Upright Joy[1]	8 July 2015 BVI/Hong Kong	US$10,000	100%	–	–	–	Investment holding
正輝有限公司 (Wonderful Splendor Limited)[1] ("**Wonderful Splendor**")	25 January 2019 BVI/Hong Kong	US$10,000	100%	–	–	–	Investment holding

40. PARTICULARS OF SUBSIDIARIES (Continued)

[1] Directly held by the Company.

[2] IBO is a wholly foreign owned enterprise established in the PRC.

[3] These companies are limited liability companies established in the PRC.

[4] The registered capital of Guotong is RMB10 million but only RMB1 million was paid by the Group up to the date of the issuance of the financial statements.

[5] The registered capital of IBO Digital and Shenzhen Bohai are RMB20 million respectively but nil were paid at the date of the issuance of the financial statements.

[6] The Group indirectly controlled these companies through Yunwei Network, which has 65% ownership interest and voting rights in these companies.

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

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of Incorporation and principal place of business	Proportion of ownership interests and voting held by non-controlling interest		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019.01.24 to 2019.03.31 RMB'000**	2018.01.24 to 2018.03.31 RMB'000	**2019.03.31 RMB'000**	2018.03.31 RMB'000
Bright Leap Group	BVI/The PRC	**48.27%**	–	**1,013**	–	**30,226**	–
Individually immaterial subsidiaries with non-controlling interests			–	**(24)**	–	**(24)**	–
				989	–	**30,202**	–

40. PARTICULARS OF SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of Bright Leap Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Bright Leap Group

	At 31 March 2019 RMB'000
Current assets	26,312
Non-current assets	67,310
Current liabilities	(15,334)
Non-current liabilities	(15,667)
Equity attributable to owners of the Company	32,395
Non-controlling interests	30,226

	2019.01.24 to 2019.03.31 RMB'000
Revenue	12,101
Profit and total comprehensive income for the period	2,099
Profit and total comprehensive income for the period,	
attributable to owners of the Company	1,086
attributable to non-controlling interests	1,013
	2,099
Net cash inflow from operating activities	5,359
Net cash outflow from investing activities	(99)
Net cash inflow from financing activities	656
Net cash inflow	5,916

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current asset		
Investment in subsidiaries	**160,941**	125,409
Current asset		
Bank balances and cash	**9,379**	16,173
Current liabilities		
Other payables	**2,136**	2,999
Amounts due to subsidiaries	**2,851**	2,197
	4,987	5,196
Net current assets	**4,392**	10,977
Total assets less current liabilities	**165,333**	136,386
Non-current liability		
Bonds payables	**26,727**	–
Net Assets	**138,606**	136,386
Capital and reserves		
Share capital	**3,349**	3,349
Reserves	**135,257**	133,037
Total equity	**138,606**	136,386

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves:

	Share premium RMB'000	Merger reserve RMB'000 *(Note)*	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 April 2017	48,083	(43,325)	–	40,041	44,799
Loss and other comprehensive expense for the year	–	–	–	(21,844)	(21,844)
Capitalisation issue	(2,511)	–	–	–	(2,511)
Issue of new shares upon listing	123,651	–	–	–	123,651
Transaction costs attributable to issue of new shares	(11,058)	–	–	–	(11,058)
At 31 March 2018	158,165	(43,325)	–	18,197	133,037
Loss and other comprehensive expense for the year	–	–	–	(12,448)	(12,448)
Recognition of equity-settled share based payments	–	–	14,668	–	14,668
At 31 March 2019	**158,165**	**(43,325)**	**14,668**	**5,749**	**135,257**

Note: Merger reserve represented the difference between the share capital of Abacus, which was transferred from Shine Well to IBO Holdings pursuant to the reorganisation as set out on the prospectus dated 14 December 2017, and share capital and share premium of IBO Holdings.

42. EVENTS AFTER THE REPORTING PERIOD

On 17 February 2019, the Group entered into an agreement, pursuant to which the Group has conditionally agreed to issue 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. On 3 April 2019, all the conditions have been fulfilled and the completion took place in accordance with the terms and conditions. The convertible bonds with an aggregate principal amount of HK$22,400,000 have been successfully placed. Further details are set out in the announcements of the Company dated 17 February 2019 and 3 April 2019.

On 17 February 2019, the Company entered into the subscription agreement with 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 resolution in relation to the subscription was approved by the independent shareholders at the extraordinary general meeting held on 17 May 2019. Further details are set out in the announcements of the Company dated 17 February 2019 and 17 May 2019 and the circular dated 25 April 2019.

On 17 April 2019, Wonderful Splendor entered into the sale and purchase agreement with Assemble Bliss Limited ("**Assemble Bliss**"), pursuant to which Assemble Bliss has conditionally agreed to sell and Wonderful Splendor has conditionally agreed to purchase the sale shares, representing 15% of the issued share capital of Good Cheer Ventures Limited at the consideration of RMB22,470,000 (equivalent to approximately HK$26,265,183). The agreement is expected to be completed by the end of September 2019. Further details are set out in the announcements of the Company dated 5 March 2019 and 17 April 2019.

On 17 February 2019, the Company has proposed to grant in aggregate 20,000,000 share options to Mr. Lai, to subscribe for 20,000,000 shares pursuant to the share option scheme at the exercise price of HK$1.6, for a validity period of 3 years from the date of grant. The resolution on the proposed grant of share options to Mr. Lai was approved by the independent shareholders at the extraordinary general meeting held on 17 May 2019. Further details are set out in the announcements of the Company dated 17 February 2019 and 17 May 2019, and the circular dated 25 April 2019.

On 10 June 2019, the Group entered into an agreement, pursuant to which the Group has conditionally agreed to issue 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. The placement is expected to be completed by the end of July 2019. Further details are set out in the announcements of the Company dated 17 February 2019 and 3 April 2019.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**298,916**	212,700	103,893	56,934	29,132
Cost of sales and services rendered	**(197,613)**	(126,480)	(50,313)	(22,697)	(12,674)
Gross profit	**101,303**	86,220	53,580	34,237	16,458
Other income	**5,675**	5,522	3,715	8,127	8,220
Other expenses	**(909)**	(2,552)	(77)	(905)	(945)
Other gains and losses	**3,677**	(4,032)	241	3,166	3,292
Impairment losses, net of reversal	**172**	–	–	–	–
Distribution and selling expenses	**(3,123)**	(1,698)	(1,055)	(858)	(737)
Administrative expenses	**(51,668)**	(15,719)	(7,826)	(6,230)	(6,988)
Finance costs	**(2,802)**	(1,868)	(2,770)	(4,892)	(5,460)
Research and development expenses	**(5,321)**	(2,005)	(544)	(796)	(1,426)
Listing expenses	**–**	(15,431)	(6,984)	–	–
Profit before taxation	**47,004**	48,437	38,280	31,849	12,414
Income tax expense	**(12,064)**	(12,961)	(8,835)	(6,973)	(2,697)
Profit and total comprehensive income for the year	**34,940**	35,476	29,445	24,876	9,717
Profit and total comprehensive income for the year attributable to					
— Owners of the Company	**33,951**	35,476	29,445	24,876	9,717
— Non-controlling interests	**989**	–	–	–	–
	34,940	35,476	29,445	24,876	9,717
ASSETS AND LIABILITIES					
Total assets	**515,977**	293,723	143,671	153,602	164,616
Total liabilities	**(224,276)**	(79,404)	(78,258)	(81,953)	(117,843)
Net assets	**291,701**	214,319	65,413	71,649	46,773
Total equity attributable to owners of the Company	**261,499**	214,319	65,413	71,649	46,773
Non-controlling interests	**30,202**	–	–	–	–
Total equity	**291,701**	214,319	65,413	71,649	46,773

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 of the Stock Exchange (Stock Code: 2708)
"Company's Code"	a code of conduct regarding Directors' transactions in securities of the Company
"Consideration Share(s)"	up to 27,318,773 new Shares to be allotted and issued to the Vendor at the Issue Price under the General Mandate, the number of which shall be adjusted according to the terms of the Sale and Purchase Agreement, details are set out in the announcements of the Company dated 13 and 21 September 2018
"Director(s)"	the director(s) of the Company
"Fangyu Yunwei"	Jiangxi Fangyu Yunwei Network Technology Co., Ltd.* (江西方宇運維網絡科技有限公司), a company established in the PRC with limited liability
"General Mandate"	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting on 27 August 2018 to allot and issue up to 80,000,000 Shares, representing 20% of the total number of Shares in issue as at the date of passing such resolution
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hunan Yingding"	Hunan Yingding Network Co., Ltd.* (湖南盈鼎網絡有限公司), a company established in the PRC with limited liability
"IBO Information"	IBO Information (Shenzhen) Limited* (艾伯資訊(深圳)有限公司), a wholly-owned subsidiary of the Company
"Issue Price"	HK$2.0, being the issue price per Consideration Share
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	28 December 2017
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited

DEFINITIONS

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China which, for the purposes of this report, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 illustration purpose only*

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