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ibotech 艾伯科技
IBO TECHNOLOGY COMPANY LIMITED
艾伯科技股份有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2708)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 September 2019 was approximately RMB245.41 million, representing an increase of 39.8% as compared with approximately RMB175.54 million for the six months ended 30 September 2018.
- Gross profit for the six months ended 30 September 2019 was approximately RMB65.71 million, representing an increase of 16.0% as compared with approximately RMB56.64 million for the six months ended 30 September 2018. Gross profit margin for the six months ended 30 September 2019 was 26.8%, representing a decrease of 5.5 percentage points as compared with 32.3% for the six months ended 30 September 2018.
- Profit attributable to owners of the Company was approximately RMB0.73 million, decreased by 96.8% as compared with approximately RMB23.06 million for the six months ended 30 September 2018.
- Basic earnings per share for the six months ended 30 September 2019 was approximately RMB0.18 cents, representing a decrease of 96.9% as compared with approximately RMB5.77 cents for the six months ended 30 September 2018.

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 September 2019 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2018 as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	NOTES	RMB'000	RMB'000
Revenue	3	245,413	175,537
Cost of sales and services rendered		(179,700)	(118,899)
Gross profit		65,713	56,638
Other income		1,721	1,605
Other expenses		(15)	(400)
Other gains and losses		(11,768)	4,862
Impairment losses, net of reversal		(1,211)	(3,011)
Distribution and selling expenses		(2,069)	(1,121)
Administrative expenses		(25,763)	(24,467)
Finance costs		(6,829)	(981)
Research and development expenses		(7,599)	(3,553)
Profit before taxation		12,180	29,572
Income tax expense	5	(8,606)	(6,511)
Profit and total comprehensive income for the period	6	3,574	23,061
Profit and total comprehensive income for the period attributable to			
— Owners of the Company		730	23,061
— Non-controlling interests		2,844	—
		3,574	23,061
Earnings per share			
— Basic (RMB cents)	8	0.18	5.77
— Diluted (RMB cents)	8	0.18	5.76

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

		30 September 2019 (Unaudited) RMB'000	31 March 2019 (Audited) RMB'000
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		10,432	8,312
Right-of-use assets		3,532	–
Investment properties		20,500	20,500
Goodwill		44,157	44,157
Intangible asset		63,884	67,162
Financial assets at fair value through profit or loss		503	460
Rental deposits		540	578
Deferred tax assets		55	–
Prepayments for investments		22,470	–
		166,073	141,169
Current assets			
Inventories		61,543	51,897
Trade and other receivables	9	345,599	240,984
Contract assets		3,412	12,215
Amount due from a related company		24	38
Amounts due from non-controlling interests		251	197
Financial assets at fair value through profit or loss		1,628	7,793
Bank balances and cash		50,054	61,684
		462,511	374,808
Current liabilities			
Trade and other payables	10	108,418	73,840
Contract liabilities		131	–
Lease liabilities		2,014	–
Amounts due to non-controlling interests		11,581	13,681
Tax payables		19,281	17,313
Bank borrowings		18,890	25,109
Consideration payable		14,637	17,810
		174,952	147,753
Net current assets		287,559	227,055
Total assets less current liabilities		453,632	368,224

	30 September 2019 (Unaudited) RMB'000	31 March 2019 (Audited) RMB'000
Non-current liabilities		
Deferred tax liabilities	23,142	22,559
Bank borrowings	2,794	523
Bonds payables	31,826	26,727
Convertible bonds	58,656	–
Lease liabilities	1,677	–
Consideration payable	14,637	26,714
	132,732	76,523
Net Assets	320,900	291,701
Capital and reserves		
Share capital	3,449	3,349
Reserves	284,360	258,150
Equity attributable to owners of the Company	287,809	261,499
Non-controlling interests	33,091	30,202
Total Equity	320,900	291,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

Convertible bonds

Convertible bonds containing debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group’s own equity instruments or with settlement option is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Other than the accounting policy listed above and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

In the current interim period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements.

2. IMPACTS AND CHANGES IN ACCOUNTING POLICIES

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations.

The Group applied HKFRS 16 from 1 April 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application. Right-of-use assets relating to the Group’s operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

At 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities; whereas the lease liability is initially measured at the present value of the lease payments that are unpaid at that date, and subsequently adjusted for the interest and lease payments, as well as the impact of lease modification, amongst others.

Other than the reclassification of rental deposits amounting to RMB80,000 and trade and other receivables amounting to RMB5,000, the Group recognised lease liabilities of RMB4,466,000 and right-of-use assets of RMB4,551,000 at 1 April 2019.

At 30 September 2019, the lease liabilities and right-of-use assets amounted to RMB3,691,000 and RMB3,532,000, respectively, while depreciation associated with the right-of-use assets and finance costs associated with lease liabilities amounting RMB1,070,000 and RMB119,000, respectively, were recognised during the current interim period.

3. REVENUE

Disaggregation of revenue

Types of goods or services

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Intelligent terminal products sales	199,915	167,646
Provision of coordination, management and installation services	7,152	302
Software development	32,864	3,464
System maintenance services	5,482	4,125
	245,413	175,537

Timing of revenue recognition

Six months ended 30 September 2019 (Unaudited)					
	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
A point in time	199,915	–	–	–	199,915
Over time	–	7,152	32,864	5,482	45,498
	<u>199,915</u>	<u>7,152</u>	<u>32,864</u>	<u>5,482</u>	<u>245,413</u>
Six months ended 30 September 2018 (Unaudited)					
	Intelligent terminal products sales RMB'000	Provision of coordination, management and installation services RMB'000	Software development RMB'000	System maintenance services RMB'000	Total RMB'000
A point in time	167,646	–	–	–	167,646
Over time	–	302	3,464	4,125	7,891
	<u>167,646</u>	<u>302</u>	<u>3,464</u>	<u>4,125</u>	<u>175,537</u>

4. SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 September 2019

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

For the six months ended 30 September 2018

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

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

Segment assets and liabilities

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

Geographical markets

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

5. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	8,078	5,571
Deferred tax	528	940
	8,606	6,511

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

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

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	1,287	623
Depreciation of right-of-use assets	1,070	–
Amortisation of intangible assets (included in cost of sales and services rendered and administrative expenses)	6,879	17
	9,236	640
Capitalised in inventories	(7,169)	(145)
	2,067	495

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories recognised as an expense (included in cost of sales and services rendered)	161,076	114,531
Gross rental income from investment properties net of negligible direct operating expenses incurred for investment properties	292	245
Impairment loss recognised in respect of trade receivables	1,247	2,964
Impairment reversed in respect of contract assets	(20)	(10)
Impairment loss (reversed) recognised in respect of other receivables	(16)	57

7. DIVIDENDS

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

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share	730	23,061

	Six months ended 30 September	
	2019	2018
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	409,300	400,000
Effect of dilutive potential ordinary shares:		
Share options	1,973	622
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	411,273	400,622

9. TRADE RECEIVABLES

The Group allows credit period ranging from 30 days to 180 days which are agreed with each of its trade customers.

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

	30 September 2019 (Unaudited) RMB'000	31 March 2019 (Audited) RMB'000
0–30 days	50,430	96,078
31–90 days	24,527	12,909
91–180 days	133,616	37,177
181–365 days	51,748	3,075
Over 365 days	5,938	5,383
	<u>266,259</u>	<u>154,622</u>

10. TRADE PAYABLES

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

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

	30 September 2019 (Unaudited) RMB'000	31 March 2019 (Audited) RMB'000
0–30 days	499	11,113
31–90 days	1,497	821
Over 90 days	32,124	28,650
	<u>34,120</u>	<u>40,584</u>

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 six months ended 30 September			
	2019 (unaudited)		2018 (unaudited)	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Intelligent terminal products sales	199,201	81.2	163,438	93.1
System integration	7,866	3.2	4,510	2.6
Software development	32,864	13.4	3,464	2.0
System maintenance services	5,482	2.2	4,125	2.3
Total	245,413	100.0	175,537	100.0

Intelligent terminal products sales

During the Period, the Group was committed to developing, producing and selling customised IoT intelligent terminal products to its customers. In line with a growing demand for IoT products in China in recent years, the Group secured and supplied electronic products to new customers during the Period. The sales business of intelligent terminal products continued to be the business segment with the largest proportion of the Group's revenue while maintaining the growth momentum. The revenue for the Period amounted to approximately RMB199.20 million (corresponding period of 2018: approximately RMB163.44 million), representing an increase of approximately 21.9% as compared with last year, accounting for 81.2% total revenue of the Group. The revenue from the sales business of intelligent terminal products steadily increased, thereby driving the continuous growth of the Group's total revenue.

During the Period, the Group's major clients included (i) a Beijing-based technology company mainly engaged in IoT business (to which the Group sold electronic products, including Ethernet switches, optical modules, multi-service fusers and 4G wireless data transmission terminals, in addition to providing one year of maintenance services); (ii) a Tianjin-based international trading company (to which the Group sold electronic products, including RF data transmission modules, storage modules, traffic acquisition modules and MOBU tags, in addition to providing one year of maintenance services); and (iii) a Daqing-based technology company in Heilongjiang (to which the Group sold electronic products, including gold optical switches (金光交換機), Ethernet switches, central control 480 optical transceiver and data center switches, 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 Period, the revenue from the system integration business of the Group recorded an increase, representing an increase of approximately 74.5% as compared with last year to approximately RMB7.87 million (corresponding period of 2018: approximately RMB4.51 million), accounting for 3.2% total revenue of the Group.

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

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 Period with substantial revenue, which increased by approximately 849.7% as compared with last year to approximately RMB32.86 million (corresponding period of 2018: approximately RMB3.46 million), the proportion of which over the Group's total revenue increased to 13.4% from 2.0% last year.

During the Period, the major customers of the Group included a Heyuan-based real estate company, for which the Group developed the "Smart Site Information Management System". The system consists of eleven sub-systems, namely system management, information release, basic setup, personnel management, equipment management, project management, excavation detection management, terminal binding, data display, big data board and communication service.

During the Period, the Group indirectly held 51.7321% ownership interests in Weitu Group, which brought considerable software development income to the Group. The major customers of software development business of Weitu Group included (i) a Shenzhen-based technology company, for which Weitu Group developed "Factory Integrated Management System Project", with function categories including 2D and 3D visualization display, system integration and integrated management platform; and (ii) a Beijing-based technology company, for which Weitu Group is engaged to carry out the demand research analysis, system design, functional custom development, data sorting, implementation of deployment and training and technical support within the "Building Visualization Integration Platform Project".

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 Period, the system maintenance services business of the Group generally remained stable with a realized revenue of approximately RMB5.48 million (corresponding period of 2018: approximately RMB4.13 million), representing an increase of approximately 32.7% as compared to last year, accounting for 2.2% total revenue of the Group.

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased significantly by 39.8% to approximately RMB245.41 million during the Period as compared with corresponding period of last year (corresponding period of 2018: approximately RMB175.54 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 Tianjin and Daqing City, Heilongjiang Province (which engage in international trading and technology businesses respectively). For the software development, the main growth came from the turnover arising from the development of "Smart Site Information Management System" for a real estate company based in Heyuan City. During the Period, the Company indirectly held 51.7321% ownership interests in Weitu Group, which brought considerable software development income to the Group. All of these contributed considerable revenue to the Group for the Period.

Gross profit and gross profit margin

The Group's gross profit increased by 16.0% to approximately RMB65.71 million for the Period (corresponding period of 2018: approximately RMB56.64 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 5.5 percentage points to 26.8% as compared with corresponding period of last year (corresponding period of 2018: 32.3%), mainly due to (i) the related amortization expenses of intangible assets arising from the acquisition of the Weitu Group; and (ii) the Group's use of price reduction strategy to attract customers.

Other income

The Group's other income for the Period included (i) interest income from bank deposits; (ii) rental income; and (iii) government grants. Other income increased by 6.8% to approximately RMB1.72 million for the Period (corresponding period of 2018: approximately RMB1.61 million) and such change was due to the increase in rental income and government grants for the Period.

Other expenses

During the Period, the Group's other expenses decreased by 95.0% to approximately RMB0.02 million (corresponding period of 2018: approximately RMB0.40 million). The decrease was mainly due to the absence of the expenses arising from the acquisition of Weitu Group for the Period, which was included in other expenses for the corresponding period of 2018. Further details are set out in the section headed "Material Acquisition and Disposal of Subsidiaries and Affiliated Companies — Material Acquisitions in Progress During the Period" in the announcement of interim results for the six months ended 30 September 2018 of the Company dated 29 November 2018.

Other gains and losses

The Group's other net losses amounted to approximately RMB11.77 million for the Period (corresponding period of 2018: other net gains of approximately RMB4.86 million) and such change was mainly due to (i) the net exchange losses recorded during the Period as compared with the net exchange gains recorded for the corresponding period of 2018; and (ii) the losses incurred for the movement of fair value of financial assets, convertible bonds and the consideration payable and no such expenses incurred for the corresponding period of 2018.

Impairment losses, net of reversal

During the Period, the Group's impairment losses, net of reversal, were approximately RMB1.21 million (corresponding period of 2018: approximately RMB3.01 million), including expected credit losses, net of reversal, for trade receivables, other receivables and contract assets.

Distribution and selling expenses

The Group's distribution and selling expenses increased by 84.8% to approximately RMB2.07 million for the Period (corresponding period of 2018: approximately RMB1.12 million) mainly due to the increase in staff costs as a result of the demand towards more headcounts to support the robust business growth in the Period and the continuous expansion of the Group.

Administrative expenses

The Group's administrative expenses increased by 5.3% to approximately RMB25.76 million for the Period (corresponding period of 2018: approximately RMB24.47 million), mainly due to: (i) the increase in the share option expenses; (ii) the increase in staff costs as a result of the demand towards more headcounts to support the continuous expansion of the Group, and the appointment of Ms. Cheng Yan ("**Ms. Cheng**") as an executive Director and vice chairperson of the Company (details of which are set out in the announcement of the Company dated 7 August 2019); and (iii) the administrative expenses of Weitu Group, in which the Company indirectly held 51.7321% ownership interests during the Period, which were combined into the Group's consolidated statement of profit or loss and other comprehensive income for the Period, while the Company did not hold such 51.7321% ownership interests in Weitu Group for the corresponding period of 2018.

Finance costs

The Group's finance costs increased by 596.9% to approximately RMB6.83 million for the Period (corresponding period of 2018: approximately RMB0.98 million), mainly due to the increase in the interest expenses for the Period resulted from the increase in the amount of the bonds issued and the convertible bonds placed by the Group during the Period (please refer to the section headed "Capital structure, liquidity and financial resources" in this announcement below for more details).

Research and development expenses

The Group's research and development expenses increased by 114.1% to approximately RMB7.60 million for the Period (corresponding period of 2018: approximately RMB3.55 million), which was mainly due to the fact that 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 continuous expansion of the Group.

Income tax expense

The Group's income tax expense increased by 32.3% to approximately RMB8.61 million for the Period (corresponding period of 2018: approximately RMB6.51 million), which was mainly due to (i) the increase in profit before taxation of IBO Information for the Period as compared to corresponding period of 2018; and (ii) the income tax expense of Weitu Group, in which the Company indirectly held 51.7321% ownership interests during the Period, which were combined into the Group's consolidated statement of profit or loss and other comprehensive income for the Period, while the Company did not hold such 51.7321% ownership interests in Weitu Group for the corresponding period of 2018. The effective tax rate increased by 48.7 percentage points to approximately 70.7% (corresponding period of 2018: 22.0%), mainly because the Company and its subsidiaries established in BVI and Hong Kong were subject to tax based on the financial positions of individual companies while the relevant companies had no income tax expenses for corresponding period of 2018, and the losses increased for the Period while companies newly established had no income tax expenses as well, resulting in a decrease in the Group's overall profit before taxation for the Period but an increase in income tax expense

Profit attributable to owners for the Period

As a result of the foregoing, the Group's profit attributable to owners decreased by 96.8% to approximately RMB0.73 million for the Period (corresponding period of 2018: approximately RMB23.06 million), which was mainly due to (i) the decrease in gross profit margin; (ii) other net losses recorded during the Period as compared with other net gains recorded for the corresponding period of 2018; and (iii) the increases in distribution and selling expenses, administrative expenses, finance costs, research and development expenses and income tax expense for the Period.

Prepayments for investments

Prepayments for investments represent the amounts made by the Group in advance for the acquisitions of 15% of the issued share capital of Good Cheer Ventures Limited (“**Good Cheer**”). Further details are set out in the section headed “Material acquisition and disposal of subsidiaries and affiliated companies — Material Acquisition in Progress During the Period” in this announcement and the announcements of the Company dated 5 March 2019, 17 April 2019 and 25 September 2019.

Capital structure, liquidity and financial resources

The Group adopted strict financial management policy, and its financial position remained sound. As at 30 September 2019, the Group's net current assets were approximately RMB287.56 million (31 March 2019: approximately RMB227.06 million).

As at 30 September 2019, the Group's bank balances and cash was approximately RMB50.05 million (31 March 2019: approximately RMB61.68 million). The current ratio (current assets to current liabilities) was approximately 2.6 times (31 March 2019: approximately 2.5 times).

As at 30 September 2019, the Group's total bank borrowings was approximately RMB21.68 million (31 March 2019: approximately RMB25.63 million).

As at 30 September 2019, the authorized share capital of the Company was HK\$10 million divided into 1,000,000,000 shares of HK\$0.01 each and the issued share capital of the Company was approximately HK\$4.1093 million divided into 410,927,509 Shares of HK\$0.01 each.

As of 30 September 2019, the Company issued bonds with an amount of HK\$38,200,000. 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.

As of 30 September 2019, the Company completed the placing of convertible bonds with an aggregate amount of HK\$53,540,000. For details, please refer to the section headed "USE OF NET PROCEEDS FROM PLACING OF CONVERTIBLE BONDS" below in this announcement.

Gearing ratio

As at 30 September 2019, the Group's gearing ratio (calculated by dividing total borrowings (including bank borrowings, bonds payables and convertible bonds) by total equity) was approximately 35.0% (31 March 2019: approximately 17.9%).

Capital expenditure

For the Period, the Group's capital expenditure increased by 81.3% to approximately RMB5.13 million (corresponding period of 2018: approximately RMB2.83 million), which was mainly used for transportation equipment, leasehold improvements, furniture and office equipment.

Capital commitment

As at 30 September 2019, the Group had no significant capital commitment (31 March 2019: nil).

Currency risk

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

Contingent liabilities

As at 30 September 2019, the Group did not have any material contingent liabilities (31 March 2019: nil).

Pledge of group's assets

As at 30 September 2019 and 31 March 2019, all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

Material acquisition and disposal of subsidiaries and affiliated companies

Material Acquisition in Progress During the Period

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

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**”).

As of 30 September 2019, the Good Cheer Acquisition is still in progress and was completed in October 2019.

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. Tongtianhui has served over 600 education institutions and/or individual education service providers customers spanning over 6 segments in education including dancing, art, calligraphy, music, sport and kid-level computer programming. As at 31 March 2019, the online education platform of Tongtianhui had over 500,000 subscribers and over 100,000 average monthly active users.

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

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

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

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

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

Material Disposal

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

The allotment and the issue of the consideration shares

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

- (1) entered into a sale and purchase agreement with Wisdom Galore Limited (“**Wisdom Galore**”), pursuant to which Wisdom Galore has conditionally agreed to sell and Upright Joy has conditionally agreed to acquire 47% of the issued share capital of Bright Leap Limited (明躍有限公司, “**Bright Leap**”), which shall be settled by (i) RMB27,520,000 in cash; and (ii) the allotment and issuance of up to 27,318,773 Consideration Shares based on the Issue Price of HK\$2.0 under the General Mandate by the Company to Wisdom Galore. The Consideration Shares may be adjusted under the guaranteed profit arrangement. On 20 September 2018, Upright Joy entered into a sale and purchase supplemental agreement with Wisdom Galore to amend and clarify certain formulas relating to the adjustment mechanism for the Consideration Shares; and
- (2) entered into a sale and purchase agreement with Thriving Ascend Limited (“**Thriving Ascend**”), pursuant to which Thriving Ascend has conditionally agreed to sell and Upright Joy has conditionally agreed to acquire 4.7321% of the issued share capital of Bright Leap, at the consideration of RMB7,571,360 (equivalent to approximately HK\$8,676,021), which shall be settled by cash in full (the “**Bright Leap Acquisition**”).

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

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

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

Significant investment

The Group did not have any significant investment during the Period.

Future plans for significant investments and capital assets

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

Employee and remuneration policy

As at 30 September 2019, the Group employed a total of 289 employees (30 September 2018: 162 employees). During the Period, staff costs (including Directors' emolument) was approximately RMB28.86 million (corresponding period of 2018: approximately RMB20.25 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 pursuant to the Share Option Scheme, which had been approved by the independent Shareholders on 17 May 2019. On 7 August 2019, the Company proposed to grant a total of 20,000,000 share options to the Company's vice chairperson and the executive Director, Ms. Cheng pursuant to the Share Option Scheme, which had been approved by the independent Shareholders on 15 October 2019.

MAJOR AWARDS AND CERTIFICATES

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

Accreditation & Certificates	Details	Time of awarding/ Valid duration for Awarding	Accredited/ Certified by
Computer Software Copyright Registration Certificate	Originally acquisition of all rights for Integrated Pipeline Health Assessment System V1.0 by Yunwei Network	30 May 2019	National Copyright Administration of the PRC
Computer Software Copyright Registration Certificate	Originally acquisition of all rights for Integrated Pipeline Monitoring Center System V1.0 by Yunwei Network	30 May 2019	National Copyright Administration of the PRC
Certificate of Promise-keeping	IBO Information being accredited as a 2018 Guangdong Province Enterprise of “Observing Contract and Valuing Credit”	1 June 2019	Market Supervision Administration of Shenzhen Municipality
Membership Certificate	IBO Information being admitted as a member of the Guangdong Public Security & Protection Technology Association	12 July 2019 to 11 July 2020	Guangdong Public Security & Protection Technology Association
Certificate of Invention Patent	IBO Information is granted a patent regarding the identification control equipment as well as the systems and methods based on its certification management of high pressure vessels	30 July 2019	National Intellectual Property Administration
Certificates of Utility Model Patent	IBO Information is granted a patent regarding the vehicle detection devices based on the dual-mode non-contact induction	16 August 2019	National Intellectual Property Administration

Accreditation & Certificates	Details	Time of awarding/ Valid duration for Awarding	Accredited/ Certified by
Certificates of Utility Model Patent	IBO Information is granted a patent regarding the intelligent vehicle equipment and system	13 September 2019	National Intellectual Property Administration
Qualification Certificate in the Design, Construction and Maintenance	The design, construction and maintenance of Security & Protection Technology System of IBO Information being admitted as Grade IV	18 September 2019	Security Technology Prevention and Management Office of Guangdong Public Security Department
Environmental Management Systems Certificate	<p>It is thereby proved that the Environmental Management System of IBO Communication complies with the requirements under (GB/T24001-2016/ISO14001:2015)</p> <p>The coverage of the Environmental Management System includes the research and development, sales and related management activities of signal amplifiers, communication wireless repeaters, optical fiber communication repeaters and radio frequency module of communication base station</p>	28 September 2019 to 27 September 2022	Guangdong Quality Testing CTC Certification Co., Ltd.

Accreditation & Certificates	Details	Time of awarding/ Valid duration for Awarding	Accredited/ Certified by
Quality Management Systems Certificate	<p>It is thereby proved that the Quality Management System of IBO Communication complies with the requirements under (GB/T19001-2016/ISO9001:2015)</p> <p>The coverage of the Quality Management System includes the research and development and sales of signal amplifiers, communication wireless repeaters, optical fiber communication repeaters and radio frequency module of communication base station</p>	28 September 2019 to 27 September 2022	Guangdong Quality Testing CTC Certification Co., Ltd.
Occupational Health and Safety Management Systems Certificate	<p>It is thereby proved that the Occupational Health and Safety Management System of IBO Communication complies with the requirements under (ISO45001:2018)</p> <p>The coverage of the Occupational Health and Safety Management System includes the research and development, sales and related management activities of signal amplifiers, communication wireless repeaters, optical fiber communication repeaters and radio frequency module of communication base station</p>	28 September 2019 to 27 September 2022	Guangdong Quality Testing CTC Certification Co., Ltd.

MAJOR COOPERATION AGREEMENTS ENTERED INTO DURING THE PERIOD

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

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

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

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

BUSINESS OUTLOOK AND STRATEGIES

In recent years, both the IoT market and smart city construction in China have flourished. According to the “Analysis Report on Market Demand and Investment Forecast of the Application of the Internet of Things Industry in China (《中國物聯網行業應用領域市場需求與投資預測分析報告》)” issued by the Prospects Industry Research Institute, the market size of the national IoT industry is expected to exceed RMB1.5 trillion and RMB1.8 trillion in 2019 and 2020, respectively, while the market size of the global IoT industry will reach USD\$1.7 trillion. With its 19 years of experience in the IoT industry, the Group has seized market opportunities to develop 5G business while deepening its existing businesses as well as actively deploying business segments such as smart fire-fighting, smart agriculture and smart factories.

Grasping historical opportunities and striving to win in the 5G era

The Group will grasp the historical opportunity of vigorous development of 5G network construction. Pivoting on China with global vision, the Group will actively participate in the construction of 5G network carried out by domestic and foreign telecom operators and provide them with the series equipment of 5G small base stations including pico base stations and femto base stations, in order to strive to become the leading product provider of series equipment of small base stations in the construction of 5G network of domestic and foreign telecom operators.

5G will promote economic and social digital transformation and empower a variety of industries with its stronger performance, more applications and new ecology. Based on the Group’s 19 years of experience in intelligent application in many sub-sectors, as well as its rich technology accumulation in the fields of IoT, big data, cloud computing, artificial intelligence etc., the Group will actively integrate into the development of 5G business applications in various industries. By cooperating with external resources such as operators and industry partners with an open and inclusive attitude and developing 5G typical business applications with integrated technologies, such as 5G, IoT, big data, cloud computing and artificial intelligence, we will jointly promote the rapid establishment and deployment of 5G typical business applications. Also, we will continuously expand the application, promotion and popularization of 5G in different industries and different businesses. The Group will serve as a cross-industry 5G business application solution provider and an integrated construction and operation service provider to provide clients from different industries with comprehensive services such as innovative 5G business application integration solutions, the planning and construction of customized and dedicated 5G network as well as the operation and maintenance of industry application big data platform.

On 23 October 2019, IBO Communication entered into a contract with China Unicom System Integration Limited Corporation (“**Unicom**”), a wholly-owned subsidiary of China United Network Communications Limited (“**China Unicom**”) in relation to “5G network construction project in the Shili Dong’an community in Heyuan City”, pursuant to which 5G network core equipment would be provided by IBO Communication with self-developed technology (including main frames of 5G pico base stations, extension units of 5G pico base stations, transmission units of 5G pico base stations and core network based on SA network) to construct a dedicated 5G network for the Shili Dong’an community in Heyuan City, Guangdong, with coverage area of nearly 400,000 square meters.

To intensify cooperative research and development efforts and diversify products and services

The Group has formed strategic partnerships with different research institutes and universities since last 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 digitalisation project for 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 June 2019, the Group and the Tongliao Agriculture and Livestock Bureau (通遼市農牧局), competent department for agriculture and livestock industry of the Tongliao government in the Inner Mongolia entered into an agreement in respect of construction of the “Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)”. 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.), the Group will accelerate the deployment in the field of smart agriculture and livestock. In February 2019, the Group entered into a strategic cooperation framework agreement with Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司, “**IAC**”) in respect of the cooperation of the joint design, development, manufacturing and sales of smart factories, consumer electronics and smart wearable products. The Group will continue to intensify research and development efforts and to diversify its products and services through continuous technological innovation and achievements transformation.

To continue expanding the application of AIOT in various sectors

China’s IoT industry is in the stage of rapid growth. Under the situation that technologies, such as 5G, artificial intelligence and big data, are gradually mature and popularised, since the application of AIoT under new mobile communication technology represented by 5G is the current mainstream development direction of IoT industry, the Group will provide a wealth of digital transformation solutions for various industries, so as to create new value for its customers. The Group will continue its business expansion and strengthen the cooperation with external technology companies, industry partners and scientific research institutions to leverage their respective strengths to integrate market resources and develop potential 5G+ AIoT application sub-sectors, such as smart agriculture and animal husbandry industry, 5G smart community, petrochemical digitisation and public service administration in smart city. The Group will provide 5G+ AIoT integrated solutions for customers in various industries through the combination of the Group’s 19-year experience of IoT industry and the products and technologies of AIOT.

Gateway to China, capturing global opportunities

As a leading IoT intelligence terminal product application and solution services provider in the industry, the Group will increase the layout of overseas market with global vision and actively explore the overseas projects of high quality while constantly consolidating its existing market and business in mainland China. In the future, the Group will focus on the development of the overseas business such as dedicated 5G network construction, 5G core equipment, laptops, smart wearables, consumer electronics, smart home appliances and consumer electronic products, in order to promote the brand of “IBO Technology” to the global market.

To identify beneficial strategic investment opportunities

The future of IoT market is promising. The mature 5G technology will be more widely used in the construction of AIoT in the future. The Group will closely follow the development trend towards inclusive symbiosis among 5G and AIoT, accelerate the deployment of upstream and downstream businesses on the 5G and AIoT industry chain and improve its operational efficiency to maintain our leading market position. The Group will continue to identify strong domestic and overseas business partners, so that we can achieve a win-win outcome through cooperation with such strong partners.

EVENTS AFTER THE REPORTING PERIOD

Grant of 20,000,000 share options in aggregate to Ms. Cheng

On 7 August 2019, the Company has proposed to grant in aggregate 20,000,000 share options to Ms. Cheng, 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 4 years from the date of grant. The resolution on the proposed grant of share options to Ms. Cheng was approved by the independent Shareholders at the extraordinary general meeting held on 15 October 2019. Further details are set out in the announcements of the Company dated 7 August 2019 and 15 October 2019, and the circular dated 17 September 2019.

Refreshment of the Scheme Mandate Limit under the Share Option Scheme

At the extraordinary general meeting of the Company held on 15 October 2019, the refreshment of the Scheme Mandate Limit under the Share Option Scheme was approved by the Shareholders. Details are set out in the interim report.

Cooperation with China Unicom System Integration Limited Corporation in relation to 5G Network Construction Project in the Shili Dong'an Community in Heyuan City

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

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

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

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

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

In October 2019, Wonderful Splendor has completed the acquisition of 15% of the issued share capital of Good Cheer. Further details are set out in the section headed “Material acquisition and disposal of subsidiaries and affiliated companies — Material Acquisition in Progress During the Period” in this announcement.

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 30 September 2019, the Group has utilized all the net proceeds, and the net proceeds have been used in the manner set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 14 December 2017. The utilisation of net proceeds was summarized as below:

	Original allocation of net proceeds from global offering		Actually utilised amount as of 30 September 2019	Unutilised amount as of 30 September 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	14,344	–
Used for additional working capital and other general corporate purpose	10.0	8,800	8,800	–
	<u>100.0</u>	<u>88,000</u>	<u>88,000</u>	<u>–</u>

USE OF NET PROCEEDS FROM PLACING OF CONVERTIBLE BONDS

Completion of Placing of Convertible Bonds in a Total 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). The last day of the three-year period from the issue date is the maturity date. The outstanding principal amount of the convertible bonds is calculated on the rate of 7.5% per annum and is payable on the maturity date. On 15 February 2019, being the last trading day before the date on which the terms of the issue were determined, the closing price of the Shares as quoted on the Stock Exchange was HK\$1.6 per Share.

On 3 April 2019, convertible bonds with an aggregate principal amount of HK\$22,400,000 have been successfully placed to the placees, who and whose 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) are approximately HK\$21,400,000 (equivalent to approximately RMB18,319,000). The net conversion price, after deduction of relevant expenses, is approximately HK\$1.53 per conversion share. The Directors are of the view that the placing represents a good opportunity for the Company to raise funds to strengthen its financial position without resulting in immediate dilution effect on the shareholding of the existing Shareholders. Further details are set out in the announcements of the Company dated 17 February 2019 and 3 April 2019.

As of 30 September 2019, the Group has utilised a total of approximately RMB1.3 million from the net proceeds, and net proceeds have been used in the manner set out in the announcement of the Company dated 3 April 2019, which are used for the project in relation to the strategic cooperation framework agreement with IAC as set out in the announcement of the Company dated 4 February 2019. The unutilised net proceeds from placing of convertible bonds have been deposited in a licensed financial institution. The utilisation of net proceeds was summarised as below:

	Original allocation of net proceeds from placing of convertible bonds %	RMB'000	Actually utilised amount as of 30 September 2019 RMB'000	Unutilised amount as of 30 September 2019 RMB'000
Project in relation to the strategic cooperation framework agreement with IAC	100.0	18,319	1,300	17,019

Completion of Placing of Convertible Bonds in a Total Principal Amount of 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 determined, the closing price of the Shares as quoted on the Stock Exchange was HK\$1.72 per Share.

On 10 July 2019, convertible bonds with an aggregate principal amount of HK\$31,140,000 have been successfully placed to the placees, who and whose ultimate beneficial owners are independent third parties. Assuming full conversion of the convertible bonds into conversion shares, based on the initial conversion price of HK\$1.73 per conversion share, a total of 18,000,000 conversion shares will be allotted and issued with a total nominal value of HK\$180,000. 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\$30,200,000 (equivalent to approximately RMB26,624,000). The net conversion price, after deduction of relevant expenses, is approximately HK\$1.68 per conversion share. The Directors are of the view that the placing represents a good opportunity for the Company to raise funds to strengthen its financial position without resulting in immediate dilution effect on the shareholding of the existing Shareholders. Further details are set out in the announcements of the Company dated 10 June 2019 and 10 July 2019.

As of 30 September 2019, the Group has utilized a total of approximately RMB5.81 million from the net proceeds, and net proceeds have been used in the manner set out in the announcement of the Company dated 10 July 2019, which are used for the “Digitalization Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)” as set out in the voluntary announcement of the Company dated 10 June 2019. As disclosed in such voluntary announcement, at the first stage of such project of two to three years, the Company plans to contribute approximately RMB90 million for the establishment and implementation of its nine sub-projects, and the net proceeds provide the first round of funding for kicking off and setting up of such project. The unutilised net proceeds from placing of convertible bonds have been deposited in a licensed financial institution. The utilisation of net proceeds was summarized as below:

	Original allocation of net proceeds from placing of convertible bonds		Actually utilised amount as of 30 September 2019	Unutilised amount as of 30 September 2019
	%	RMB'000	RMB'000	RMB'000
Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)	100.0	26,624	5,810	20,814

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Hung Muk Ming (Chairman), Dr. He Tianxiang and Dr. Wong Kwok Yan. The Company's unaudited interim results for the six months ended 30 September 2019 have been reviewed by the audit committee. The audit committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosures have been made.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: nil).

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's website (www.ibotech.hk) and the website of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

APPRECIATION

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

DEFINITIONS

In this announcement, 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 Wisdom Galore at the Issue Price under the General Mandate, the number of which shall be adjusted according to the terms of the sale and purchase agreement, details are set out in the announcements of the Company dated 13 and 21 September 2018

“Director(s)”	the director(s) of the Company
“Fangyu Yunwei”	Jiangxi Fangyu Yunwei Network Technology Co., Ltd.* (江西方宇運維網絡科技有限公司), a company established in the PRC with limited liability
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 27 August 2018 to allot and issue up to 80,000,000 Shares, representing 20% of the total number of Shares in issue as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Yingding”	Hunan Yingding Network Co., Ltd.* (湖南盈鼎網絡有限公司), a company established in the PRC with limited liability
“IBO Communication”	Shenzhen IBO Communication Company Limited* (深圳市艾伯通信有限公司), a subsidiary of the Company
“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 Rules”	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
“RMB”	Renminbi, the lawful currency of the PRC

“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme, which shall mean (i) in aggregate not exceeding 10% of the total number of Shares in issue as at the date of completion of the Global Offering and the Capitalisation Issue (as defined in the prospectus of the Company dated 14 December 2017); or (ii) if such limit in (i) above is to be refreshed thereafter, not exceeding 10% of the total number of Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“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

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

Hong Kong, 11 November 2019

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

* For identification purposes only