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


2020/2021
**Annual Report 年報**

# CORPORATE PHILOSOPHY
# 公司理念

By upholding the corporate tenet of

## Intelligent Security & Integrative Focus

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

公司秉承

## 智能安全 專注一體化

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lai Tse Ming *(Chairman)*
Mr. Liang Jun *(Deputy Chairman)*
Mr. Gao Weilong *(Chief Executive Officer)*
Mr. Teng Feng
Mr. Yu Kin Keung

### Independent Non-executive Directors

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

## BOARD OF COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## COMPANY SECRETARY

Mr. Pang Chun Yip *(Member of HKICPA)*

## AUTHORISED REPRESENTATIVES

Mr. Lai Tse Ming
Mr. Yu Kin Keung

## PRINCIPAL BANKS

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

## AUDITORS

KTC Partners CPA Limited
Room 617
Seapower Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

## REGISTERED OFFICE

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

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

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

# CORPORATE INFORMATION

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

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## COMPANY WEBSITE

www.ibotech.hk

## STOCK CODE

2708

## CONTACT INFORMATION

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

# ABOUT US

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

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

As one of the pioneers engaging in IoT technology research and development and application, the Group has focused on the IoT industry for nearly 20 years and provided IoT intelligent terminal products, solutions and services to customers from numerous industries. The Group seizes the opportunity coming with the development of 5G and the IoT industry by vertically deepening the layout of 5G+ IoT industrial and horizontally integrating advanced technology such as cloud computing, artificial intelligence, big data, block chain, edge computing, biotechnology, which improves the industrial development and service capabilities of the Group and allows us to continue to provide innovative solutions and service to customers, thereby expanding the Group's business scopes. With considerable effort for many years, our business grows rapidly and we have become an integrated corporate group comprising of various group members engaging in diversified sectors, ranging from city public security and safety management, smart fire service, smart agriculture, city public affair management, smart education and electronic application in consumption.

## STRONG TECHNICAL TEAM AND RESEARCH AND DEVELOPMENT CAPABILITY

The Group has strong technical team and research and development capability comprising of a batch of high quality talents possessing doctoral degree and master's degree. We have obtained over 100 innovation patents, which include 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 research and development projects and transformation of technological achievement in artificial intelligence, big data, cloud computing, block chain, edge computing, 5G and biotechnology have effectively promoted the Group's technology advancement and innovation capacity.

## VISION

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

## DEVELOPMENT AND OUTLOOK

**2021**
Industrial digitalisation application in various industries

**2020**
Industrial digitalisation application in various industries

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

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

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

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

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

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

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

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

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

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

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

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

# CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce the consolidated results of the Group for the year ended 31 March 2021 (the "**Year**").

The revenue of the Group for the Year amounted to approximately RMB560.33 million, representing an increase of 14.9% from approximately RMB487.76 million for 2020, which was mainly due to the steady growth of intelligent terminal products sales business, which contributed the largest proportion of revenue, and the strong growth in the revenue from system integration business. The revenue from the Group's system integration business for the Year increased significantly to approximately RMB101.00 million, representing a significant increase of 627.1% as compared to approximately RMB13.89 million for 2020, accounting for 18.0% of total revenue of the Group. Revenue from intelligent terminal products sales business, which accounted for 71.7% of the Group's total revenue for the Year, grew steadily by 0.2% to approximately RMB402 million. The Group's gross profit for the Year was approximately RMB116.02 million, representing an increase of 2.4% from approximately RMB113.30 million for 2020. The Group's loss attributable to owners of the Company for the Year recorded a year-on-year decrease of 20.5% to approximately RMB42.10 million (2020: RMB52.96 million).

On 26 January 2021, IBO Communication officially obtained the Network Access Licence for Telecommunication Equipment issued by the Ministry of Industry and Information Technology of the PRC, which includes the 5G frequency band of the three major operators, namely China Mobile Communications Group Co., Ltd. ("**China Mobile**"), China Telecommunications Corporation ("**China Telecom**") and China United Network Communications Group Company Limited ("**China Unicom**"), serving as a new milestone for the Group's communication business segment in the 5G era. The Group attaches great importance to technology research and development, continuously increases investment in research and development, and diversifies product lines. On the basis of being the first corporate successfully developed 5G pico base station in August 2019, the Group successfully launched a self-developed new generation of low-cost indoor coverage products of 5G signals during the Year. In August 2020, it passed the technical test of China Mobile at Shandong Binzhou Wanda Plaza, which marked our success in effective cost reduction and rapid indoor coverage of 5G signals. The Group entered into a new 5G indoor coverage system equipment procurement contract with China Mobile System Integration Co., Ltd.* (中移系統集成有限公司) ("**China Mobile Integration**", a wholly-owned subsidiary of China Mobile), in September 2020, and subsequently won the tender for the 5G private network procurement of the Changzhou branch of China Telecom Corporation Limited ("**Changzhou Telecom**") in March 2021, representing further recognitions received by our products and technologies from the operators. In the future, the Group will continue to capitalize the rapid development trend of 5G in China, and strive to gain more market shares in the centralised procurement of mobile operators in China in 2021 and beyond.

According to the "White Paper on China's 5G Development and Its Economic and Social Impacts (2020)" published by the China Academy of Information and Communications Technology, 2021 to 2023 will remain the introducing period for the application of 5G industry, which will be gradually implemented in different industries for commercial purpose in phases. The innovative consumption application with 5G characteristics is likely to grow in scale from 2022 to 2023. The Group has made early deployment and actively explored the application scenarios of 5G technology in various industries. Up to now, it has covered smart communities, smart healthcare, smart education and smart factories, and has jointly explored the in-depth application of 5G technology in various industries with Guangdong Dong'an Industrial Company Limited* (廣東東岸實業有限公司), Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital* (陽春市中醫院及陽春市婦幼保健院), Yunnan Long-Spring Education Group* (雲南長水教育控股集團) and an extra-large steel group in Changzhou of which we won the tender in March 2021. In June 2021, The Group established a strategic partnership with Shenzhen Alba Culture and Sports Development Company Limited ("**Alba Culture and Sports Development**"), which manages and cooperates over 6,600 e-sports stadiums and over 2,000 e-sports hotels across the country, to achieve the industrial application of 5G technology in business scenarios such as pan-entertainment and e-sports. Looking forward, the Group will continue to strengthen its cooperation with different industry partners, accumulate and integrate the application experience of 5G technology in various industries, build a business model that can be quickly and effectively replicated, and make a head start in seizing the opportunities in the rapid development of 5G industrial application.

* *For identification purpose only*

# CHAIRMAN'S STATEMENT

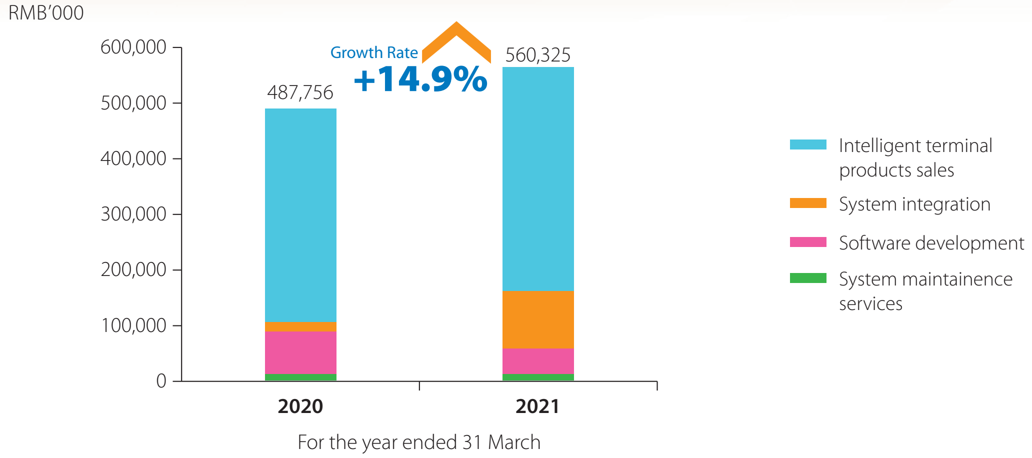
In the second half of 2021, the National Development and Reform Commission of the People's Republic of China will launch the "14th Five-Year Plan" for new infrastructure construction, vigorously develop digital economy, expand 5G applications, and accelerate the industrial internet and data center construction. The Group has taken the lead by entering into a 5G infrastructure construction framework cooperation agreement with Bureau of Industry and Information Technology of Kunming in July 2020 to jointly build the base of "New 5G Infrastructure Industry" in Kunming and develop a 5G industry ecosystem. In June 2020, the Group granted the exclusive sale right to Wafer Systems Limited ("**Wafer Systems**") of the Group's 5G pico base station related products within the scope of telecommunication operators in Sichuan Province, and entered into a strategic cooperation agreement with Eternal Asia Supply Chain Management Ltd. ("**Eternal Asia Supply Chain**") to form an in-depth strategic partnership for Eternal Asia Supply Chain's provision of supply chain platform services of 5G small (pico) base station related products and indoor coverage system to IBO Information.

I would like to express my sincere gratitude to the members of the Board, the management team, all employees and shareholders for their continuous support, and to our partners for their continuous support. As there is an old saying "you cannot reach a thousand miles away if you do not start step-by-step", in the future, we will continue to serve our customers with the best technology and products, and strive to advance in the year of scale expansion of 5G construction.

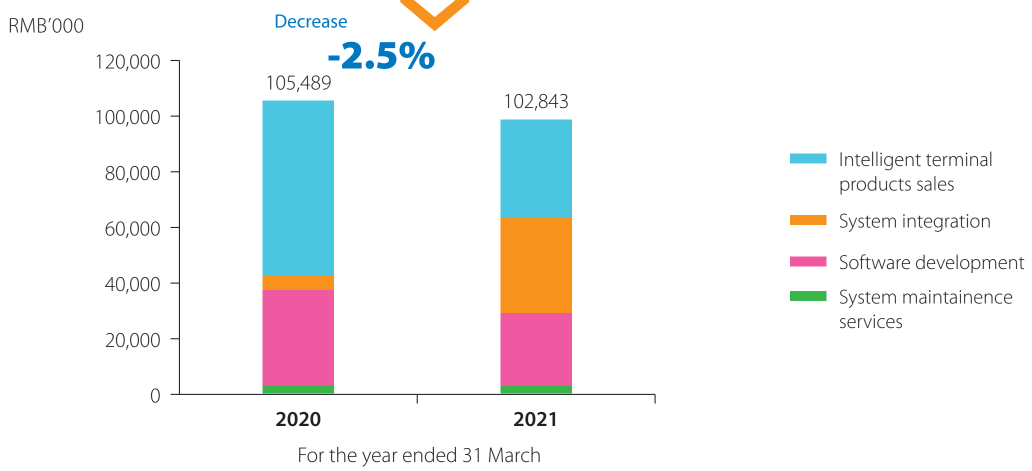
**Mr. Lai Tse Ming**
*Chairman & Executive Director*

Hong Kong, 30 June 2021

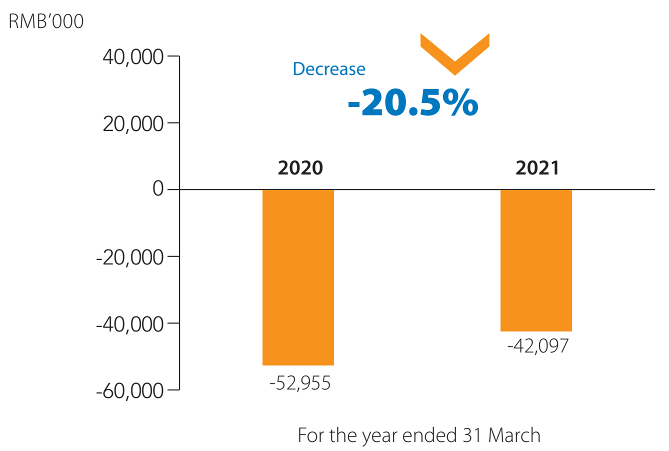
**Revenue by Business Segments**




**Gross Profit by Business Segments**




**Loss attributable to owners of the Company**



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a National High and New Technology Enterprise (國家高新技術企業) that focuses on providing comprehensive IoT intelligent terminal product applications and solutions services in the PRC. The Group mainly engages in four areas, namely (i) intelligent terminal products sales; (ii) system integration; (iii) software development; and (iv) system maintenance services. The customers of the Group are primarily from both the public and private sectors in the PRC, such as the PRC governmental authorities, large-scale state-owned enterprises and private enterprises.

Revenue breakdown by business segments:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Intelligent terminal products sales | **402,004** | **71.7** | 401,223 | 82.3 |
| System integration | **100,999** | **18.0** | 13,893 | 2.8 |
| Software development | **45,492** | **8.2** | 63,297 | 13.0 |
| System maintenance services | **11,830** | **2.1** | 9,343 | 1.9 |
| Total | **560,325** | **100.0** | 487,756 | 100.0 |

### Intelligent terminal products sales

During the Year, the Group was committed to developing, producing and selling customized IoT intelligent terminal products to customers. In view of the impact of the COVID-19 pandemic on the China's economy has been reduced gradually in the latter part of the Year, the sales business of the Group's intelligent terminal products lightly increased during the Year, with revenue of approximately RMB402.00 million (2020: approximately RMB401.22 million), representing a year-on-year increase of approximately 0.2%, which accounts for 71.7% of the Group's total revenue.

During the Year, the Group's major customers included (i) a Beijing-based technology company mainly engaged in IoT business, to which the Group sold electronic products, including RF data transmission modules, storage modules, communication modules, main control modules and voltage testing modules; (ii) a Shenzhen-based integrated supply chain management company, to which the Group sold demo boards; (iii) a Shenzhen-based company engaged in provision of logistics services, to which the Group sold electronic products, including compound tags, compound intelligent tags, passive-tagged addressing software, epoxy passive tags and electronic tags; (iv) a Beijing-based intelligent technology company, to which the Group sold communication equipment and intelligent management platform; (v) a France-based brand company engaged in selling laptops, to which the Group sold laptops from Inventec Appliances (Pudong) Corporation* (英華達(上海)科技有限公司) ("**IAC**"); (vi) a Hong Kong-based company engaged in provision of integrated supply chain services, to which the Group sold memory chips; (vii) China Mobile Integration, to which the Group sold near-end terminals for 5G DAS system and far-end terminals for 5G DAS system, further details are set out in the section headed "MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE YEAR — Entering Into Equipment Procurement Contract for IBO New 5G Indoor Coverage System with China Mobile Integration" in this report below and the Company's announcement dated 23 September 2020; and (viii) a Quanzhou-based communication company, to which the Group sold near-end terminals for 5G DAS system, far-end terminals for 5G DAS system and 5G pico base stations.

* *For identification purpose only*

## BUSINESS REVIEW (Continued)

### System integration

Based on analysis and assessment of customers' needs, the Group provides comprehensive and customized system solutions to its customers by applying IoT and related technologies, including overall system planning, development and design, procurement of system equipment, integration of software and hardware devices of the system, system implementation, trial operation and system management and maintenance, etc. The Group's system integration business increased significantly during the Year with a revenue of approximately RMB101.00 million (2020: approximately RMB13.89 million), representing a significant increase of approximately 627.1%, which accounted for 18.0% of the Group's total revenue.

Benefitting from recovery of the economy, Weitu Group has significant contribution to the revenue growth from system integration business for the Year, and its main clients include (i) a Shenzhen-based electronic trading company, for which the Group developed "Smart Park Intelligent System Integration Project", including hardware equipment and materials, development of visual integrated operation management platform and integration of software and hardware systems for smart park; (ii) a Shenzhen-based company mainly engaged in computer, communication and other electronic devices manufacturing industry, for which the Group provided demand and supply research and analysis, product supply, software compatibility, deployment and trainings, and technical support; and (iii) a Shenzhen-based company mainly engaged in installation and maintenance of communication equipment, for which the Group developed "Science Park Intelligent System Integration Project", including hardware equipment and materials, development of visual management system and integration of software and hardware systems; "Campus Intelligent System Integration Project", including hardware equipment and materials, development of smart campus management platform and integration of software and hardware systems; "Plant Intelligent System Integration Project", including hardware equipment and materials, development of operation and maintenance platform and integration of software and hardware systems.

### Software development

In line with the business and management requirements of its customers, the Group plans and designs the software system framework and function list for them in order to provide customized software application development services. The revenue from software development business of the Group amounted to approximately RMB45.49 million (2020: approximately RMB63.30 million), representing a year-on-year decrease of approximately 28.1%, which accounts for 8.2% of the Group's total revenue.

During the Year, the Group's major customers included (i) a Beijing-based technology development company, for which the Group developed the Smart Site Information Management System that consists of system management sub-system, site information sub-system, data release sub-system, data dash board sub-system and communication management sub-system, etc.; and (ii) a Beijing-based technology company, for which the Group developed the data access and governance platform that consists of data management sub-system, data mining and analysis sub-system, data release sub-system and system management sub-system, etc.

During the Year, Weitu Group also contributes to the Group's revenue from software development business, and its main customers include (i) a Shenzhen-based decoration design engineering company, for which Weitu Group developed a "visualisation operation management platform", including visualisation operation interconnection platform and integrated operation management platform; and (ii) a Ningbo-based technology company, for which Weitu Group developed the "IoT Smart Park and Visualisation Integrated Management Platform", utilizing the IoT technology to gather data into a data service platform, where the platform performs data analysis and processing, thereby providing more advanced dynamic data application services.

## BUSINESS REVIEW (Continued)

### System maintenance services

The Group provides system maintenance services for both software and hardware of information systems encompassing maintenance and management for system devices, database maintenance, daily monitoring on the systems and system upgrades. The system maintenance services business of the Group increased during the Year, with a revenue of approximately RMB11.83 million (2020: approximately RMB9.34 million), representing a year-on-year increase of approximately 26.7% and accounting for 2.1% of total revenue of the Group.

During the Year, the major system maintenance services of the Group included (i) provision of information system maintenance services to a PRC state-owned petroleum company, which involved the petrol filling IC card system and convenience store management system of more than 2,000 gas stations, such as the maintenance of point of sale ("**POS**") terminals, consumption POS machines, operating systems, database systems and related software, data maintenance and technical training; and (ii) provision of 5G base station gateway integration test and pilot service for the existing network to a communications company in Guangdong. The service objectives include pilot deployment services of base station gateway, pilot deployment services of small base station, pilot system deployment, network integration and system integration services, small base stations, base station gateways, network management and 5GC walk-through test services, base station gateway and enterprise application server system network integration, and enterprise application server and edge cloud integration test services.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Year increased by 14.9% to approximately RMB560.33 million (2020: approximately RMB487.76 million), which was mainly due to the economic recovery, significant growth in income of system integration business of the Group generated by Weitu Group, and a year-on-year increase in income of approximately 627.1% recorded in the system integration business.

### Gross profit and gross profit margin

The Group's gross profit increased by 2.4% to approximately RMB116.02 million for the Year (2020: approximately RMB113.30 million), which was mainly due to the economic recovery, significant growth in income of system integration business of the Group generated by Weitu Group, and a year-on-year increase in income of approximately 627.1% recorded in the system integration business. The gross profit margin decreased by 2.5 percentage points to 20.7% as compared with last year (2020: 23.2%), which was mainly due to the increase in amortisation expenses.

### Other income

The Group's other income for the Year mainly included (i) interest income from bank deposits; (ii) rental income; (iii) government grants; and (iv) others. Other income increased by 7.1% to approximately RMB4.83 million for the Year (2020: approximately RMB4.51 million), which was mainly due to the increase in other interest income for the Year.

### Other losses, net

The Group's other net losses decreased by 39.5% to approximately RMB33.99 million for the Year (2020: approximately RMB56.21 million), which was due to (i) the net exchange gains recorded during the Year as compared with the net exchange losses recorded for 2020; (ii) no impairment loss recognised on goodwill during the Year as compared with significant loss recorded in 2020; and (iii) significant decrease in impairment loss recognised on interest in an associate during the Year.

## FINANCIAL REVIEW (Continued)

### Share of results of an associate

The Group's share of profit of an associate was approximately RMB0.12 million for the Year (2020: share of loss of an associate of approximately RMB0.23 million), which was related to the profit attributable to acquisition of 15% of the issued share capital of Good Cheer Ventures Limited by the Group. Further details are set out in the announcements of the Company dated 5 March 2019, 17 April 2019 and 25 September 2019.

### Impairment losses under ECL model, net of reversal

During the Year, the Group's impairment losses under ECL model, net of reversal included changes in expected credit losses during the Year for trade receivables, other receivables, contract assets and other financial assets. During the Year, the impairment losses under ECL model, net of reversal increased by 68.6% to approximately RMB13.17 million (2020: approximately RMB7.81 million), which was mainly due to the increase in trade receivables during the Year.

### Distribution and selling expenses

The Group's distribution and selling expenses increased by 31.8% to approximately RMB7.30 million for the Year (2020: approximately RMB5.54 million), which was mainly because more sales personnel are required to explore the market since IBO Communication and IBO Information Technology have just commenced their businesses.

### Administrative expenses

The Group's administrative expenses decreased by 29.1% to approximately RMB50.96 million for the Year (2020: approximately RMB71.88 million), which was mainly due to the decrease in share option expenses.

### Finance costs

The Group's finance costs increased by 56.4% to approximately RMB16.19 million for the Year (2020: approximately RMB10.35 million), which was mainly due to the increase in interest expenses for the Year resulting from the increase in total outstanding principal of bonds, bank and other borrowings as compared to last year by the Group during the Year (please refer to the section headed "Capital structure, liquidity and financial resources" in this report below for details).

### Research and development expenses

The Group's research and development expenses increased by 261.1% to approximately RMB13.94 million for the Year (2020: approximately RMB3.86 million), which was mainly because more research and development resources are required since IBO Communication, IBO Information Technology and IBO Digital have just commenced their businesses.

### Income tax expense

The Group's income tax expense increased by 7.4% to approximately RMB12.96 million for the Year (2020: approximately RMB12.07 million), which was mainly due to the profit before tax recorded by IBO Communication for the Year and the increase in the profit before tax of Weitu Group, resulting in a corresponding increase in related income tax expenses. The Group's loss before tax for the Year decreased by 61.7% to approximately RMB14.57 million (2020: approximately RMB38.07 million). Since the Company and its subsidiaries paid their taxes according to their own financial conditions, the Group still recorded income tax expenses although it recorded a loss before tax during the Year.

## FINANCIAL REVIEW (Continued)

### Loss attributable to owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company decreased by 20.5% to approximately RMB42.10 million for the Year (2020: approximately RMB52.96 million), which was mainly due to the decrease in other net losses and administrative expenses during the Year.

### Capital structure, liquidity and financial resources

The Group has adopted a strict financial management policy, and its financial position remained sound. As at 31 March 2021, the Group's net current assets were approximately RMB371.80 million (31 March 2020: approximately RMB283.99 million).

As at 31 March 2021, the Group's bank balances and cash were approximately RMB232.16 million (31 March 2020: approximately RMB69.18 million) and pledged bank deposits were approximately RMB6.00 million (31 March 2020: approximately RMB2.19 million). The current ratio (a ratio of current assets to current liabilities) was approximately 1.8 times (31 March 2020: approximately 2.3 times).

As at 31 March 2021, the Group's total bank and other borrowings were approximately RMB35.14 million (31 March 2020: approximately RMB21.05 million).

The Company issued bonds in the aggregate principal amount of HK$49,000,000 for the Year (2020: HK$43,600,000). On 31 March 2021, the outstanding aggregate principal amount of bonds of the Company was HK$86,200,000 (31 March 2020: HK$78,200,000). The bonds are transferable subject to the consent from the Company. The bonds will become due on the first to third anniversary of the issue date of the bonds. The bonds bear interest at a rate of 1% to 7% per annum, payable annually in arrears. Such proceeds will be used for general working capital of the Group.

As at 31 March 2021, the outstanding aggregate principal amount of convertible bonds of the Company was HK$21,675,800 (31 March 2020: HK$50,063,000). For details, please refer to the two sections headed "Report of the Directors — Equity-linked Agreements — Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under 2018 General Mandate" and "Report of the Directors — Equity-linked Agreements — Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under 2018 General Mandate" below in this report.

During the Year, 50,000,000 subscription shares were allotted and issued to Shine Well Holdings Limited ("**Shine Well**") by the Company with total proceeds of HK$75,000,000. For details, please refer to the section headed "Use of Net Proceeds from the Subscription of 50,000,000 Subscription Shares by a Connected Person under Specific Mandate" below in this report.

As at 31 March 2021, the authorised share capital of the Company was HK$10 million divided into 1,000,000,000 Shares of HK$0.01 each and the issued share capital of the Company was approximately HK$4.8826 million divided into 488,263,141 Shares of HK$0.01 each.

### Gearing ratio

As at 31 March 2021, the Group's gearing ratio (calculated by dividing total borrowings (including bank and other borrowings, bonds payables and convertible bonds) by total equity) was approximately 39.5% (31 March 2020: approximately 51.6%).

### Capital expenditure

The Group's capital expenditure for the Year decreased by 50.3% to approximately RMB4.90 million (2020: approximately RMB9.85 million), which was used for office equipment and development cost.

## FINANCIAL REVIEW (Continued)

### Capital commitment

As at 31 March 2021, the Group had no significant capital commitment (31 March 2020: Nil).

### Currency risk

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

### Contingent liabilities

As at 31 March 2021, the Group had no significant contingent liabilities (31 March 2020: Nil).

### Pledge of the Group's assets

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of approximately RMB20,200,000 (2020: RMB20,100,000), bank deposits amounting to approximately RMB6,000,000 (2020: RMB2,191,000) and trade receivables with carrying amount of approximately RMB9,800,000 (2020: Nil) as at 31 March 2021 have been pledged to the banks.

As at 31 March 2021, the Group's listed securities of aggregate carrying amount of RMB238,000 (2020: Nil) were pledged by the Group to secure margin account payables.

### Material acquisition and disposal of subsidiaries and affiliated companies

During the Year, the Group did not have any material acquisition and 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 2018 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.

## FINANCIAL REVIEW (Continued)

### The allotment and the issue of the Consideration Shares (Continued)

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, 31 March 2020 and 31 March 2021 shall not be less than RMB10,000,000 (the "**First Year Guaranteed Profit**"), RMB20,000,000 (the "**Second Year Guaranteed Profit**") and RMB25,000,000 (the "**Third Year Guaranteed Profit**"), respectively.

The audited total profit of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong and Weitu Group for the year ended 31 March 2020 exceeded the Second Year Guaranteed Profit. Under the relevant Consideration Shares adjustment mechanism, 8,195,632 Consideration Shares of the Second Year Guaranteed Profit have been allotted and issued to Wisdom Galore pursuant to the 2018 General Mandate on 11 December 2020. 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, 17 September 2019 and 11 December 2020.

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 2021 is expected to exceed the Third Year Guaranteed Profit, and the audited total profits of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong, and Weitu Group for the years ending 31 March 2019, 31 March 2020 and 31 March 2021 are expected to exceed the aggregate amount of the First Year Guaranteed Profit, the Second Year Guaranteed Profit and the Third Year Guaranteed Profit (i.e. RMB55,000,000). Under the relevant Consideration Shares adjustment mechanism, 8,195,632 Consideration Shares (the "**Third Year Consideration Shares**") will be allotted and issued to Wisdom Galore pursuant to the 2018 General Mandate. The Third Year Consideration Shares are expected to be allotted and issued in the third quarter of 2021. Announcement will be made for the allotment and issuance of the Third Year Consideration Shares.

### Significant investment

The Group did not have any significant investment during the Year (including any investment in an investee company, which accounted for 5% or more of the Group's total assets as at 31 March 2021).

### Future plans for significant investments and capital assets

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

## FINANCIAL REVIEW (Continued)

### Employee and remuneration policy

As at 31 March 2021, the Group employed a total of 226 employees (31 March 2020: 268 employees). For the Year, staff costs (including Directors' emolument) was approximately RMB40.76 million (2020: approximately RMB55.21 million). By strictly following the Labour Law* (《勞動法》), the Labour Contract Law* (《勞動合同法》) and the Labour Dispute Mediation and Arbitration Law* (《勞動爭議調解仲裁法》) of the PRC, the Group recruits and promotes its employees based on individual development potential, talent and ability without discriminating against age, gender, race, nationality, religious and disability. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The Group regularly reviews the 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 (the "**Share Option Scheme**") was adopted by the Company on 6 December 2017 to attract, retain and motivate talented employees to strive for future developments and expansion of the Group. On 29 June 2018, 40,000,000 share options have been granted to the eligible Directors, employees and a consulting firm pursuant to the Share Option Scheme. On 17 February 2019, the Company proposed to grant a total of 20,000,000 share options to the Company's executive Director, the chairman of the Board and the controlling Shareholder, Mr. Lai Tse Ming ("**Mr. Lai**"), pursuant to the Share Option Scheme, which had been approved by the independent Shareholders on 17 May 2019.

## MAJOR AWARDS AND CERTIFICATES

| Accreditation & Certificates | Details | Time of awarding/Valid duration for awarding | Accredited/ Certified by |
|---|---|---|---|
| Certificate of Exterior Design Patent | IBO Digital is granted a patent regarding the wearable intelligent devices (for animals) | 24 April 2020 | National Intellectual Property Administration |
| Certificate of Utility Model Patent | IBO Information Technology is granted a patent regarding intelligent water pressure gauge with low-power consumption | 24 April 2020 | National Intellectual Property Administration |
| Computer Software Copyright Registration Certificate | Originally acquisition of all rights for AIF Safety Monitoring Cloud Software V2.0 by IBO Information Technology | 21 May 2020 | National Copyright Administration of the PRC |
| Computer Software Copyright Registration Certificate | Original acquisition of all rights for Fire Safety Online Monitoring and Warning Management System V2.0 by IBO Information Technology | 21 May 2020 | National Copyright Administration of the PRC |

* *For identification purpose only*

## MAJOR AWARDS AND CERTIFICATES (Continued)

| Accreditation & Certificates | Details | Time of awarding/Valid duration for awarding | Accredited/ Certified by |
|---|---|---|---|
| Certificate of Environmental Management System | It is thereby proved that the Environmental Management System of IBO Information complies with the requirements under (GB/T24001-2016/ISO14001:2015)<br><br>The coverage of the Environmental Management System includes the development of computer software, communication equipment and monitoring software, computer information system integration services, network and computer system operation and maintenance services; design, construction (installation), maintenance and related management activities of safety technology protection engineering (system) within the scope permitted by the China Security & Protection Industry Association | 5 June 2020 to 4 June 2023 | Guangdong Quality Testing CTC Certification Co., Ltd. |
| Occupational Health and Safety Management System Certificate | It is thereby proved that the Occupational Health and Safety Management System of IBO Information complies with the requirements under (GB/T45001-2020/ISO45001:2018)<br><br>The coverage of the Occupational Health and Safety Management System includes the development of computer software, communication equipment and monitoring software, computer information system integration services, network and computer system operation and maintenance services; design, construction (installation), maintenance and related management activities of safety technology protection engineering (system) within the scope permitted by the China Security & Protection Industry Association | 5 June 2020 to 4 June 2023 | Guangdong Quality Testing CTC Certification Co., Ltd. |
| Certificate of Utility Model Patent | IBO Digital is granted a patent regarding the animal wearable intelligent equipment and animal activity monitoring system | 23 June 2020 | National Intellectual Property Administration |
| Certificate of Invention Patent | IBO Information is granted a patent regarding the body measurement method of cows based on the machine vision | 26 June 2020 | National Intellectual Property Administration |

## MAJOR AWARDS AND CERTIFICATES (Continued)

| Accreditation & Certificates | Details | Time of awarding/Valid duration for awarding | Accredited/ Certified by |
|---|---|---|---|
| Evaluation Certificate | Weitu Technology is recognized as an excellent solution provider for Smart Zone after evaluation | September 2020 | Application Innovation Alliance of Smart Zone |
| Joint Chairman Unit Certificate | Weitu Technology is recognized as the joint chairman unit of the Application Innovation Alliance of Smart Zone | September 2020 | Application Innovation Alliance of Smart Zone |
| Radio Transmission Equipment Type Approval Certificate | In accordance with the provision on the Radio Regulations of the PRC, the 5G Base Stations of IBO Communication (Equipment Type: IBORU-I-26), after examination, conforms to the provisions with its CMIIT ID: 2020CP11369 | 5 years from 30 September 2020 | Ministry of Industry and Information Technology of the PRC |
| Radio Transmission Equipment Type Approval Certificate | In accordance with the provision on the Radio Regulations of the PRC, the 5G Base Stations of IBO Communication (Equipment Type: IBORU-I-33), after examination, conforms to the provisions with its CMIIT ID: 2020CP11724 | 5 years from 15 October 2020 | Ministry of Industry and Information Technology of the PRC |
| Radio Transmission Equipment Type Approval Certificate | In accordance with the provision on the Radio Regulations of the PRC, the 5G Base Stations of IBO Communication (Equipment Type: IBORU-I-35), after examination, conforms to the provisions with its CMIIT ID: 2020CP11682 | 5 years from 15 October 2020 | Ministry of Industry and Information Technology of the PRC |
| Certificate of Exterior Design Patent | IBO Information Technology is granted a patent regarding the pressure detection meter of the fire extinguisher with IoT | 10 November 2020 | National Intellectual Property Administration |
| Certificate of Exterior Design Patent | IBO Communication is granted a patent regarding 5G integrated network management display device with graphical user interface | 29 December 2020 | National Intellectual Property Administration |
| Certificate of Exterior Design Patent | IBO Communication is granted a patent regarding display device with graphical user interface of 5G network management system | 8 January 2021 | National Intellectual Property Administration |

## MAJOR AWARDS AND CERTIFICATES (Continued)

| Accreditation & Certificates | Details | Time of awarding/Valid duration for awarding | Accredited/ Certified by |
|---|---|---|---|
| Approval for network trial of telecommunication equipment | In accordance with the provisions of "Communication Regulations of the PRC" and relevant national regulations, the 5G mobile communication base station of IBO Communication (Equipment Type: IBORU-I-35), after examination by the Ministry of Industry and Information Technology, was agreed to be connected to the public telecommunication network for trial | 19 January 2021 to 19 January 2022 | Ministry of Industry and Information Technology of the PRC |
| Approval for network trial of telecommunication equipment | In accordance with the provisions of "Communication Regulations of the PRC" and relevant national regulations, the 5G mobile communication base station of IBO Communication (Equipment Type: IBORU-I-26), after examination by the Ministry of Industry and Information Technology, was agreed to be connected to the public telecommunication network for trial | 19 January 2021 to 19 January 2022 | Ministry of Industry and Information Technology of the PRC |
| Qualification Certificate for design, construction, maintenance | The qualification level of IBO Information Technology for the safety technology protection system in design, construction, and maintenance is at the 4th level | 1 February 2021 | Shenzhen Municipal Public Security Bureau |
| Certificate of Utility Model Patent | IBO Information and IBO Communication are granted a patent regarding Visualized 5G radio frequency remote equipment | 19 March 2021 | National Intellectual Property Administration |

## MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE YEAR

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

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

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

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

Further details are set out in the announcement of the Company dated 15 June 2020.

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

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

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

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

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

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

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

## MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE YEAR (Continued)

### Entering into Strategic Cooperation Agreement for 5G Infrastructure Construction with Union of Auspiciousness Capital (Chengdu) Co., Ltd* (中聯瑞弘(成都)資產管理有限公司)

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

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

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

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

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

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

### Entering into Framework Cooperation Agreement in relation to the 5G Infrastructure Construction with Bureau of Industry and Information Technology of Kunming

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

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

Further details are set out in the announcement of the Company dated 17 July 2020.

* *For identification purpose only*

## MAJOR COOPERATION PROJECTS ENTERED INTO FOR THE YEAR (Continued)

### Entering into Equipment Procurement Contract for IBO New 5G Indoor Coverage System with China Mobile Integration

On 23 September 2020, China Mobile Integration and IBO Communication entered into the equipment procurement contract for IBO New 5G Indoor Coverage system based on the principles of equality, mutual benefit and consensus after negotiation. Pursuant to the procurement contract, China Mobile Integration would purchase products including near-end terminals for 5G DAS system and far-end terminals for 5G DAS system from IBO Communication at a total consideration of RMB32,544,000.

Further details are set out in the announcement of the Company dated 23 September 2020.

### Obtaining 5G Private Network Procurement Bid-Winning Notice

On 24 March 2021, IBO Communication has obtained the 5G private network procurement bid-winning notice issued by the Changzhou Telecom with a contract amount of RMB2,385,000. This private network is the necessary communication network provided by IBO Communication and Changzhou Telecom for the construction of a "5G digital factory" to an extra-large steel group.

Further details are set out in the announcement of the Company dated 24 March 2021.

## BUSINESS OUTLOOK AND STRATEGIES

### 5G business continues to focus on operators' centralised procurement

2021 is the third year of 5G commercial use and also the year of accelerated use of 5G. According to the Ministry of Industry and Information Technology, by the end of March 2021, China has built 819,000 5G base stations, accounting for over 70% of the world's total, and has built the world's largest independent 5G network. In addition, China has more than 9,000 innovative 5G application cases, and 5G is rapidly integrating into every industry and presenting various characteristics, which form leading advantage of the system.

According to the public information published by the Ministry of Industry and Information Technology of the PRC on 26 January 2021, IBO Communication obtained the Network Access Licence for Telecommunication Equipment issued by the Ministry of Industry and Information Technology of China, which includes the 5G frequency band of the three major operators, namely China or the China Mobile, China Telecom and China Unicom, granting recognition to the Group's 5G products.

IBO Communication has successfully taken the lead in developing 5G pico base station in August 2019. During the Year, it continued to increase its investment in the research and development of 5G series products. The self-developed new generation of low-cost indoor coverage products of 5G signals passed the technical test of China Mobile Group at Shandong Binzhou Wanda Plaza on 6 August 2020. The system is able to make full use of the original 2G/3G/4G feeder cable DAS indoor coverage system of operators, and feed 5G signal into the original DAS system to achieve low-cost and rapid indoor coverage of 5G signal. The research and development of new products effectively enrich the Group's 5G product line and is expected to play a more important role in the centralized procurement of the mobile communication operators in China in 2021.

On 23 September 2020, China Mobile Integration purchased products including near-end terminals for 5G DAS system and far-end terminals for 5G DAS system from IBO Communication at a total consideration of RMB32,544,000. On 24 March 2021, IBO Communication obtained the "5G private network procurement bid-winning notice" issued by Changzhou Telecom with a contract amount of RMB2,385,000. The private network is the necessary communication network provided by IBO Communication and Changzhou Telecom for the construction of a "5G digital factory" to an extra-large steel group.

## BUSINESS OUTLOOK AND STRATEGIES (Continued)

### 5G business continues to focus on operators' centralised procurement (Continued)

The future strategic direction of the Company is 5G core equipment/private network and their industrial application. The Group's 5G core team will continue to rely on its independent research and development capabilities to consolidate the technological advantages of 5G small and micro base stations, indoor distribution systems, private network and other products, and strive to gain more market share in the centralized procurement of the mobile communication operators in China from 2021 and onwards.

### Deepen the application of 5G industry and create sample application scenario

At present, the Group has launched a series of self-developed 5G small base stations, getting ahead of other companies in the industry in terms of technology and time with a number of proprietary intellectual property rights (software copyrights) obtained, and has supplied products to telecom operators and launched products to the market in different industries and fields. Based on the Group's extensive experience in the field of IoT for over 20 years, the Group has previously proposed the "5G•AIoT" strategy, which aimed to combine 5G base stations, indoor distribution systems, private network and other technologies with IoT and various application scenarios, to explore more diversified commercial application scenarios in the 5G era in different industries, to grasp the technology trend and to seek further breakthroughs.

Since January 2020, the Group has entered into a cooperation agreement with Yunnan Long-Spring Education Group* (雲南長水教育控股集團) in respect of the "5G+AI smart education". After the establishment of the "5G+AI smart education" laboratory in Kunming Hengshui Experimental Middle School* (昆明衡水實驗中學), the Group entered into a framework cooperation agreement in relation to the 5G infrastructure construction with the Bureau of Industry and Information Technology of Kunming, Yunnan Province in July 2020 for the purpose of jointly promoting the 5G infrastructure construction, and cultivating and incubating the 5G industry cluster, so as to help Kunming, Yunnan Province to form a "1452" 5G industry landscape.

The cooperation between the Group and Yunnan Long-Spring Education Group* (雲南長水教育控股集團) is an exploration in the field of 5G smart education. For the smart medical industry, the Group provided 5G networking services to Yangchun Chinese Medicine Hospital and Yangchun Maternity and Child Health Hospital* (陽春市婦幼保健院), seeking for more in-depth industrial applications in smart medical. For the real estate industry, IBO Communication is also actively following up the "5G network construction project in the Shili Dong'an community in Heyuan City", with coverage area of nearly 400,000 square meters. On 24 March 2021, the Group has won the bid through Changzhou Telecom for the construction of a "5G digital factory" to an extra-large steel group, which is a beneficial exploration of the application of 5G technology in the manufacturing industry. IBO Communication is actively integrating 5G in the scenario development of business applications in different industries, as well as jointly promoting 5G typical application scenarios and the application, promotion and popularization of the Group's 5G products in different industries and business with an open and inclusive attitude, together with external resources such as operators and industry partners.

### Smart manufacturing and capturing global opportunities

With the gradual popularization of COVID-19 vaccination in the world and the recovery of global economy, the Group will further expand its overseas retail sales business and build a collaborative and globalized international marketing network system by grasping the trend and seizing the opportunities.

* *For identification purpose only*

## BUSINESS OUTLOOK AND STRATEGIES (Continued)

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

According to the "2021 Overall Industry Landscape in China Smart Cities Construction" (《2021年中國智慧城市建設產業全景圖譜》) issued by the Prospects Industry Research Institute, in 2020, the expenditure scale of China's smart city market had reached USD$25.9 billion. In December 2020, the "Action Plan for Innovation and Development of Industrial Internet (2021–2023)" (《工業互聯網創新發展行動計劃(2021–2023年)》) pointed out that it is necessary to cultivate a group of system integration solution providers and expand the standardized application of smart cities and other fields.

As a veteran in the field of IoT for more than 20 years, the Group continued to deploy its presence in the field of smart cities. The research and development breakthroughs in the communication sector and the commercialisation of 5G technology in different application scenarios provide more effective experience and methods for the Group to expand in the field of "smart cities". The Group will continue to adhere to the "5G•AIoT" strategy, integrate market resources and further develop the "smart cities" sub-sectors such as smart agriculture and smart factories, so as to provide customers in different industries with leading "5G•AIoT" integrated solutions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

IBO Technology Company Limited ("**IBO**", the "**Group**", the "**Company**" or "**We**") is a national high and new technology enterprise focusing on the provision of integrated and customised system solutions with the use of IoT technology in the PRC region. We have four lines of businesses, namely system integration, intelligent terminal products sales, software development and system maintenance services. This report will describe our environmental, social and governance (ESG) management strategies and performance from 1 April 2020 to 31 March 2021 ("**2020/21 Fiscal Year**" or "**Reporting Period**"), showing our pursuit of sustainable development in the economic, environmental and social aspects, as well as the importance we have placed on the stakeholders, covering the businesses of system integration, intelligent terminal products sales, software development and system maintenance services of the Group's subsidiaries in Hong Kong, Shenzhen and Mainland China.

### Reporting Scope

The reporting scope of this report includes IBO and its subsidiaries, covering the offices and facilities established by the Group in Hong Kong, Shenzhen, Guangzhou and Xinjiang, which are consistent with the annual report. The scope of environmental and social data in this report is consistent with the ESG report for the 2019/20 Fiscal Year.

### Reporting Principles

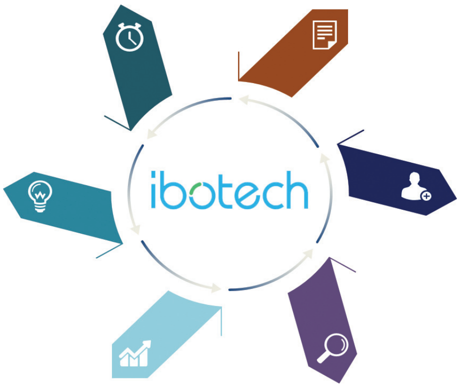
This report has been prepared in accordance with the "comply or explain" provisions and with reference to "recommended disclosures" contained in the Environmental, Social and Governance Reporting Guide of Appendix 27 of the Main Board Listing Rules of the Hong Kong Stock Exchange. In addition, we adhere to the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

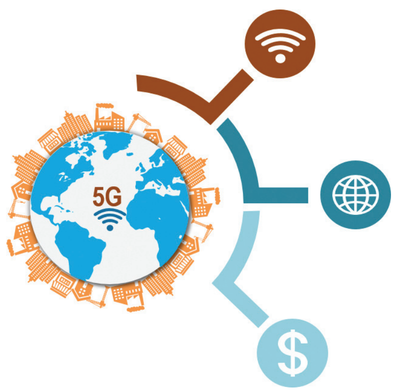
The Group determines material ESG issues through stakeholder engagement and materiality assessment. Details are explained in the section headed "Materiality Assessment". Whenever necessary, this Report details the standards, methodologies, data references used, and source, as well as explanations of any inconsistencies to previous reports. The Group strives to adopt consistent calculation methods where reasonably practicable to improve the comparability of ESG indicators in different years.

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

## ABOUT IBO

The Group is a leading provider of industrial IoT solution and service in the PRC, seizing the development opportunities of the IoT industry and vertically deepening advanced technologies, such as IoT industry chain computing, artificial intelligence, big data, block chain, edge computing, 5G, biotechnology, etc. for the promotion of product research and development as well as services of the Group, so as to provide innovative solutions and services to its customers and continuously expand the Group's business areas. IBO upholds its corporate and social missions of "taking on greater social responsibility and doing more good deeds", "making life better with IBO by promoting the application of 5G technology and IoT technology into life" and "becoming an international elite enterprise as well as an internationally influential and strong company". The Group establishes the core values of "unity, pragmatism and efficiency, integrity and co-operation, honest, and innovation", adheres to the "market-oriented and customer-centric" business philosophy and business goal of building "Hundred-year-old IBO and even Ten billion IBO". While focusing on business development, IBO shoulders its corporate social responsibility and endeavours to consider sustainable development values as the cornerstone.




### Governance Structure and Risk Management of Corporate Social Responsibility

The Group adheres to the ESG management approach of "pursuit of excellence, sustainable development and earning of respect", and strives to achieve the best balance between business operations and stakeholders' interests in respect of environmental, social and corporate governance. The Group strives to operate and develop in a sustainable, environmentally-friendly and community-friendly manner and is committed to social progress. At the same time, the Group is committed to supporting equal employment relations, making a healthy and safe working environment, and creating a working atmosphere of "care, tolerance, self-consciousness and hard work". In order to better promote the implementation of the ESG management strategy and strengthen the Group's management of ESG-related matters, the Group has formed a corporate social responsibility governance structure consisting of three major components, namely the Board, the ESG working group and employees.

Top decision-making body: The Board is the highest decision-making body of the Group's ESG management system. The Board of Directors takes the ultimate responsibility to ensure that the Group's ESG policy is effective. The Board authorises the ESG Working Group to perform all daily work relating to corporate governance and corporate social responsibility and keep monitoring the implementation of relevant ESG policies within the Group in order to oversee and supervise the progress of achieving corporate targets and ESG goals.

Management implementing level: The ESG Working Group consists of the corporate development department, the finance department and the human resources department. The responsibilities of the ESG Working Group include internal and external materiality assessments, execution of strategies and policies of the Board, preparation of the ESG reports, communication with stakeholders, as well as collection and monitoring of information and data relating to daily corporate social responsibility, provision of guidance in daily operation to employees and report to the Board on the operation of the system on a regular basis.

Employees: While focusing on the operation of business, the Group always regards giving back to the society as a shared value of the management and employees of the Company. We attach great importance to cultivating environmental awareness within the Group and among employees, adhere to low-carbon and environmental protection in all aspects, strive to achieve energy conservation and emission reduction, and seek a balance between development and environment to realize sustainable development.

## Our Sustainable Governance Structure


To effectively manage ESG-related risks, the management is responsible for identifying, monitoring and performing risk assessments from the top level, as well as designing, implementing and maintaining the internal control system. The Group has engaged independent professional consultants to continuously assess risk management and internal control systems to identify any significant internal control deficiencies and to make corresponding recommendations for improvement. The Company has established clear written policies and procedures for the internal control system to ensure employees' understanding and implementation of internal controls.

The Group has set an organisational structure and positions with well-defined power and responsibility. Each business unit within the organisational system is responsible for its daily operations and report to the executive Directors on a regular basis to ensure proper implementation of the internal control system. The Board takes full responsibility for ESG matters and reviews the risk management and internal audit supervision process for the year to ensure the proper effectiveness of the ESG management mechanism.

## Compliance

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

## Stakeholder Engagement

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

| Stakeholders | Engagement Methods | Expectations |
|---|---|---|
| **Investors and shareholders** | • Annual general meetings and notices<br>• Regular corporate publications, including financial statements<br>• Circulars and announcements (if necessary)<br>• Company website<br>• Sending enquiries and suggestions to the Company's principal place of business<br>• Enquiries via telephone and in writing (if necessary) | • Investment returns<br>• Corporate governance<br>• Business compliance |
| **Employees** | • Internal emails and publications<br>• Meetings and briefings<br>• Trainings<br>• Employee activities<br>• Job performance appraisals | • Remuneration, benefits and promotion<br>• Safety risk management and training<br>• Equal opportunity |
| **Customers** | • Company website<br>• Customer service hotline<br>• Customer surveys<br>• Customer interviews and meetings<br>• After-sales feedback | • Quality control<br>• Customer service<br>• Customer information and privacy |
| **Suppliers and business partners** | • Business meetings<br>• Performance appraisals<br>• Field visits | • Supplier evaluation mechanism<br>• Intellectual property protection<br>• Quality control |

| Stakeholders | Engagement Methods | Expectations |
|---|---|---|
| **Governmental and regulatory authorities** | • Statutory documents filings and notices<br>• Verbal and written communication (if necessary)<br>• Special meeting | • Compliance with laws and regulations<br>• Support to economic development |
| **Community groups and the public** | • Social service<br>• Charity events<br>• Public consultation email | • Community investment<br>• Environmental management system |
| **Media** | • Company website<br>• Press releases | • Compliance with laws and regulations<br>• Support to economic development |

## Materiality Assessment

In addition to the regular communication channels above, during the Reporting Period, we also engaged a third-party professional consultant to assist the Group in conducting a materiality assessment in the form of online questionnaire. We invited stakeholders from four categories (customers, suppliers, employees and management) to provide feedback on the materiality of relevant ESG issues to the Group, and conducted a comprehensive analysis based on the opinions of the management, so as to help us identify material issues to the Group, and adjust our sustainable development approach and measures.

We have conducted the materiality assessment to identify relevant ESG issues and assessed their materiality to our businesses and to our stakeholders. The materiality assessment process is set out as follows:

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

- Stakeholder engagement: Establishing stakeholder engagement channels through which internal and external stakeholders are invited to rate and comment on the materiality of each ESG issue via questionnaires to derive the average score of each group;

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

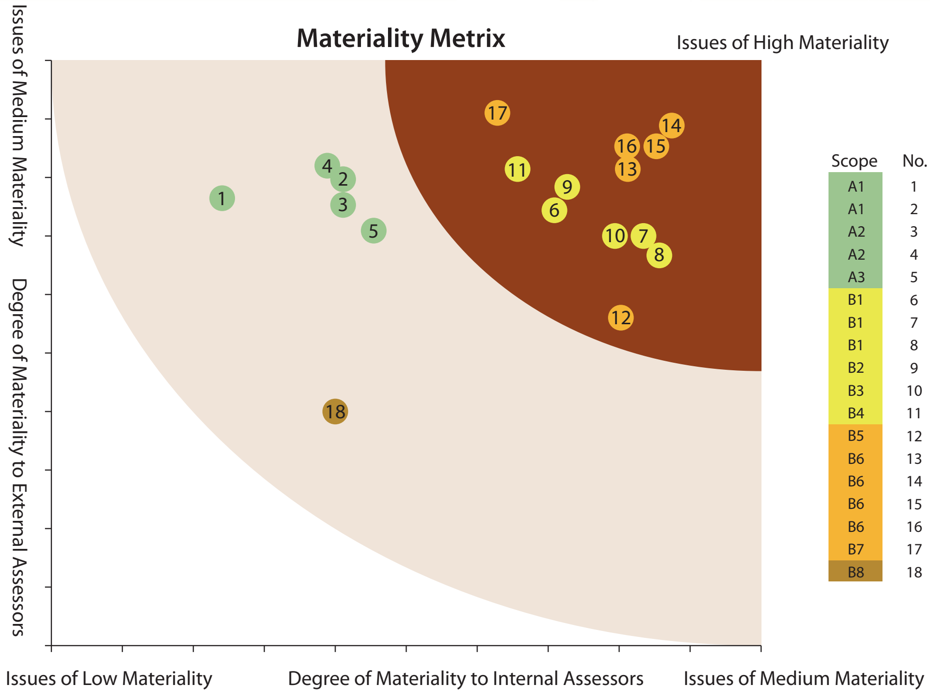
- Validation: Our ESG Working Group has validated and confirmed the material ESG issues, and how they link to the respective aspects of KPIs under the ESG Guide.

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

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

The 18 ESG key issues that are material to the Group are identified above, and reviewed by the Board and the ESG management group of the Group, which form the core focus of this report, that is, we should focus on the monitoring, management, and information disclosure of these issues.

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




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

## Overview of Sustainability for the Year

The Board of the Group attaches great importance to the aspirations of all stakeholders and actively promotes an effective ESG management mechanism. The Board supervises the coordination among different departments based on their respective goals and is committed to improving ESG performance indicators. To ensure that ESG management is on the right track, the Group implements our objectives in the following aspects:

### Environmental

- Air emissions decreased by 32% as compared with the previous year
- Paper usage decreased by 25%
- Total water consumption decreased by 24% as compared with last year

### Employment

- Average training hours of employees reached 37 hours
- Rate of work-related fatalities is 0%
- No lost days due to work injury

### Product Responsibility

- No products were recalled due to safety and health issues
- No complaints were caused by product and service quality problems

### Integrity Management

- There was no non-compliance related to bribery, extortion, fraud and money laundering.

## OUR ENVIRONMENT

The Group attaches great importance to our environmental responsibility, and has identified the relevant environmental laws and regulations that have significant impacts on the Group, including the Environmental Protection Law of the PRC, the Law of the PRC on Conserving Energy, the Environmental Impact Assessment Law of the PRC and the Solid Waste Pollution Prevention and Control Law of the PRC. The Group has ensured that we have strictly complied with the relevant environmental laws and regulations. We have environmental assessment procedures in place, and continuously enhance our control and management of greenhouse gases, waste gas emissions, waste water and wastes, and contribute to the construction and development of green ecological environment of the country. For 2020/21 Fiscal Year, the Group was not aware of any significant non-compliance with the relevant environmental laws and regulations.

### Emissions Management

The design and sales of intelligent terminal products, one of our four business lines, involve production and the Company employed third-party manufacturers to process and assemble products based on the prototypes designed by us. Other businesses, including system integration, software development and system maintenance services, do not involve production and have no direct impact on the environment. The Group has formulated and further improved the Procedures for Environmental Factor Identification and Evaluation and regularly identifies environmental factors in activities, products or services in accordance with the procedures, screens and evaluates major environmental factors and implements effective management measures for them. We carry out quantified evaluation on environmental factors based on the frequency of occurrence, scope, extent and duration of the environmental impact, public concern and other criteria, then formulate and implement environmental management approaches and operational instructions, and set up environmental control points where appropriate in respect of the evaluation results, by which we ensure compliance with regulations related to waste disposal, continuously reducing our impacts on the environment during the course of production and operation.

For third-party manufacturers, the Group informs them of its environmental approach, requires their cooperation to conduct the environmental management business, and where practical, checks relevant parties' environment-related issues on site. The Group also actively discusses significant environmental issues in relation to waste gas, sewage, soil pollution and waste with third-party manufacturers with the purpose of raising their awareness towards environmental management and urging them to strictly abide by environmental laws and regulations.

#### Waste Gas Emission Management[1]

The main source of the Group's exhaust emissions is vehicle exhaust emissions, which generated emissions of 7.73 kg of nitrogen oxides, 0.18 kg of sulfur oxides and 0.57 kg of particles during the Reporting Period, representing a reduction as compared to the last reporting period. The Group has formulated the Guidelines on the Use of Personal Vehicles for Business Purposes to regulate the usage of private cars for work, and encourage the use of vehicles with better fuel efficiency. Meanwhile, taking into account of the impact on the environment, the Group encourages employees to choose to use video conferencing in order to reduce unnecessary business trips, and at the same time encourages them to use public transportation, bicycles and other low-carbon transportation with an aim to reduce exhaust emissions and petroleum consumption. The Group has implemented a series of measures to encourage green travel to effectively reduce vehicle exhaust emissions.

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

### Greenhouse Gas Management[2]

Electricity consumption in offices is the main contributor to the Group's indirect emissions of greenhouse gases, which generated a total of 93.17 tons of carbon dioxide equivalents during 2020/21 Fiscal Year (2019/20 Fiscal Year: 89.30 tons). The increase in greenhouse gas emissions was due to the rapid recovery of activities, services and business of the Group under the new normal, with the improvement of COVID-19 pandemic situation during the Reporting Period, which led to the increase in electricity consumption.

### Hazardous Waste Management

Due to the nature of its businesses, the Group does not produce a large amount of hazardous wastes and the small quantity of hazardous waste is generated in daily office operations. In 2020/21 Fiscal Year, the Group used a total of approximately 25 kg of printer toner and scrapped 41 used computers. The Group has implemented a garbage classification policy and developed the awareness of waste classification and recycling for our staff. Household garbage should be properly disposed as required, which will be cleaned up by a property company to ensure that recyclable waste can be reused. In addition to household garbage, the Group carefully classifies, collects and recycles hazardous waste, such as contacting a local professional recycling company to dispose of all the abandoned computers and printer toner cartridges. Other solid waste, which is of small amount, including used batteries and used lighting tubes shall be collected for centralized disposal by third parties after those wastes are grouped and stored.

### Non-hazardous Waste Management

The non-hazardous waste of the Group is mainly paper used in offices 0.88 tons of waste paper was generated during the Reporting Period (2019/20 Fiscal Year: 1.20 tons). The Group strives to manage wastes in an effective and sustainable manner. In order to substantially reduce the amount of used paper, the Group vigorously promotes paperless office and uses electronic systems to manage business processes, including the release of electronic versions of management manuals, procedures and other documents through the Company's intranet and reducing the amount of paper used for copying and updating documents. We encourage employees to print on both sides and to reuse paper. Electronic methods, such as instant messenger software, email and phone call, are mostly used for daily communication and information transfer, so as to reduce the dependence on written communication. The Group implemented a series of measures to reduce employees' reliance on paper and improve paper waste in offices.

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

* *For identification purposes only*

## Use of Resources

The Group has always been strictly in compliance with the Law of the PRC on Conserving Energy. By proactively optimizing our energy structure, we have always integrated our goals in respect of the environment, society and the government into our core operation practices, contributing to the achievement of social sustainability. We vigorously implement measures for energy conservation and emission reduction, continuously improve our regulations and system related to resources management, foster our staff's awareness towards energy conservation and improve resources efficiency. We plan to obtain more precise supporting data in terms of consumption of key resources such as electricity and water. As for the climate change issues, we will actively adhere to the relevant policies, effectively reduce our carbon footprint, so as to contribute to the development of low-carbon economy. In addition, as the scope and nature of business of the Group are application of high and new technology and provision of related services, the Group's operation does not involve any significant consumption of packaging materials, and the relevant disclosure is not applicable to the Group.

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

### Electricity Consumption Efficiency

The most primary resource used by us is electricity. We purchased and consumed 162,327 kWh of electricity for the 2020/21 Fiscal Year and the intensity of electricity consumption was 36.37 kWh per office square metre (2019/20 Fiscal Year: 153,545 kWh; 34.41 kWh per office square metre). The increase in electricity usage was due to the rapid recovery of activities, services and business of the Group under the new normal, with the improvement of COVID-19 pandemic situation, which led to the increase in electricity usage. The Group has been actively advocating the green office concept and promoting a variety of energy conservation measures, including:

- Installing high performance lights and appliance, and giving priority to personal office equipment with energy labels;
- Ensuring that non-essential power sources, such as computers, computer monitors and lighting, are turned off after leaving office and after work to reduce electricity consumption;
- Switching the computers to sleep or hibernation mode when left idle;
- Keeping the temperature of air-conditioners at 24-26 degree celsius in offices, and keeping air-conditioners filers clean and in good condition to reduce electricity consumption;
- Regularly maintaining and checking daily electrical facilities to keep them in good condition and ensure there are no abnormalities in their power consumptions efficiencies;
- Shutting off air-conditioners' circuit breaker after 17:30 every day;
- Reporting and repairing broken equipment immediately, to avoid water leakage or wastage of electricity;
- 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 public campaign.

### Water Consumption Efficiency

The Group purchased and consumed 1,919 cubic metres of water for the year 2020/21 and the intensity of water consumption was 0.43 cubic metres per office square metre (2019/20 Fiscal Year: 2,528.68 cubic metres; 0.57 cubic metres per office square metre). Since our businesses do not involve significant use of water, our water consumption mainly comes from washrooms and pantries in offices. The water is sourced from the government water supply system and the water supply is managed by the office's property management company, so no issues are identified in finding applicable water sources. Paying attention to water resources consumption and aiming at using water in the most efficient way, the Group advocates water conservation programs in offices, including enhancing the daily maintenance of water supply equipment to avoid leakage due to damage, adopting inductive taps, posting slogans to remind employees of saving water, adjusting water valves to the position with minimum water consumption, encouraging employees to report leakage and dripping problems, etc., to reduce unnecessary waste.

### Environmental Management System

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

### Responding to Climate Change

The Group well recognizes that climate change will have significant impacts on the natural environment and corporate development. Although we have not yet established any management requirements directly related to climate change, we have strictly implemented the measures and arrangement regarding extreme weather issued by the governmental authorities, to safeguard the safety and health of our staff and the safety and stability of our corporate properties. We will continue to pay attention to the risks and opportunities brought by climate change, and development effective and enforceable management standards and systems that are in line with the Group's business operation in due course.

## OUR PEOPLE

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

## RECRUITMENT AND DISMISSAL

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

## COMPENSATION, BENEFITS AND PROMOTION

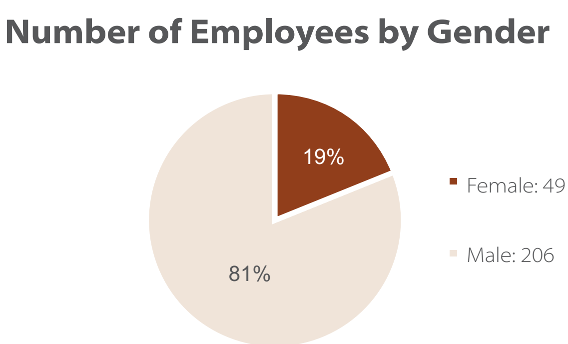
The policies and regulations relating to compensation, benefits and promotion have been set out in the Employee Handbook, Performance Assessment Management System, Compensation Management System, Employee Vacation Management System, Attendance Practice and Labour Contract. At the same time, the Group's compensation and benefits, including subsidies and bonuses, are determined based on the requirements of local laws and regulations, market payroll level, business performance and results of employee performance appraisal, which are designed to provide an attractive payroll to retain talents and recognise their contributions. The Group has also ensured its employees have reasonable working hours and adequate rest time, and are entitled to leaves (including annual leave, marriage leave, maternity leave, bereavement leave, statutory holidays, etc.).

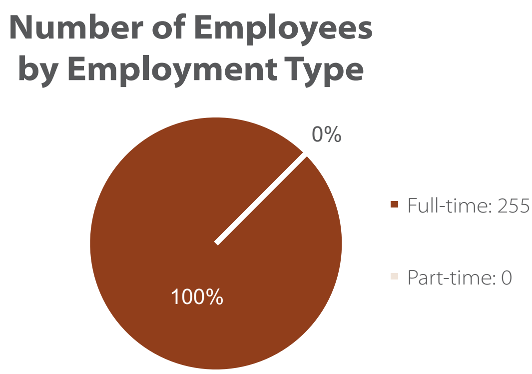
The employee performance appraisal is based on objective and fair principle, which evaluates employees' performance by business indicators, work task indicators and attitudes, and ability indicators. The appraisal results of employees are measured by quantitative principles, and assessment standards are applied consistently for employees in the same position. Not only will the result of the performance appraisal be applied to determine the compensation and bonus, but it will also become the foundation for employees' promotion. In addition, as a pilot scheme, IBO Communication set up new promotion channels during the Reporting Period, namely management positions, technology positions, sales positions and professionals position, which is ranked from low to high as M1-M9, T1-T12, S1-S10 and P1-P10 respectively. The monthly salary for each position is determined in accordance with its position level. This remuneration and promotion system, based on the capacities and performance of our staff, helps to motivate our staff and optimize the strategy of talents development of the Group gradually.

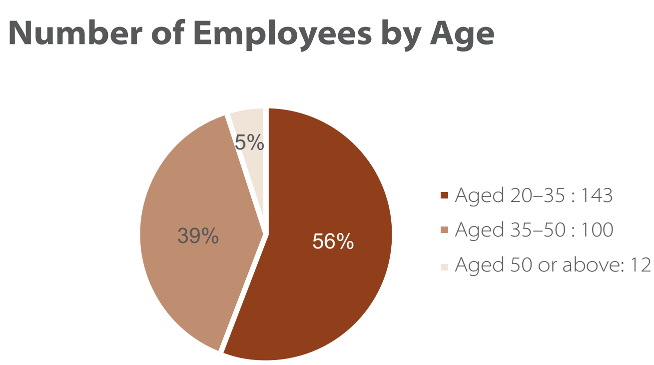
The Group holds various kinds of team-building activities every year, including sports activities, outdoor activities, birthday parties and so on. Holding diversified activities is beneficial to enrich our staff's life and enhance the corporate cohesion.

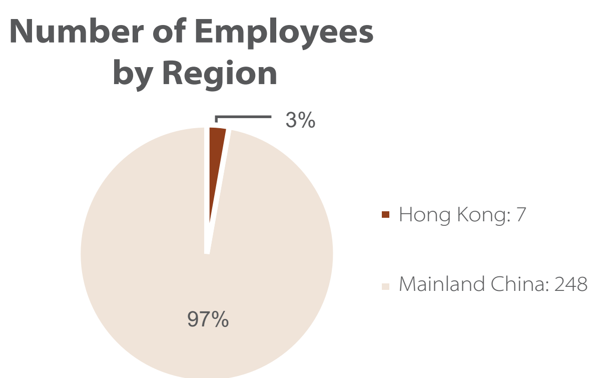
**Number of Employees**

In the year 2020/21, the Group employed approximately 255 full-time employees, of which 206 were male and 49 were female. The employees of the Group are distributed in various age groups, among which approximately 56% of them are between 20 and 35 years old. In terms of workforce by region, approximately 97% of the Group's employees are located in the mainland China, and the rest are located in Hong Kong.



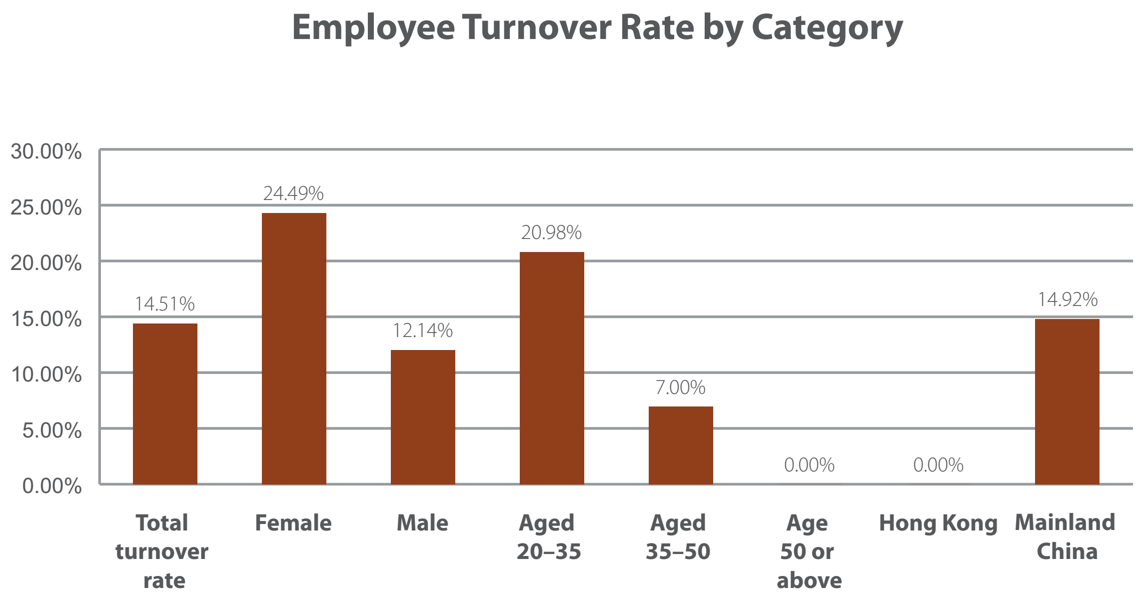



**Employee Turnover Ratio**

The total turnover rate of the Group in the year 2020/21 was 14.51%. The chart below shows the turnover rate by gender, age group and region.




The Group has strictly complied with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Employment Ordinance in Hong Kong. The paid salaries are also in compliance with the statutory minimum wage level. In 2020/21 Fiscal Year, there were no major violations against the employment-related laws and regulations which have come to the attention of the Group.

## Health and Safety

**Safety Risk Management and Training**

We regard the protection of health and safety of our employees as a highly crucial task. We are committed to maintaining a safe, healthy and productive workplace for our employees, and apply a prevention-oriented approach and adopts measures that focus on hazard management and risk assessment. In order to ensure that the Group can effectively control risks associated with occupational health and safety, we have been continuously improving the occupational health and safety management system, and have thoroughly implemented the Environmental Safety Operation Control Procedures and obtained the GB/T 28001–2011 certification in this year, striving to provide its employees with a safe and healthy working environment.

In view of the safety risks in the workplace, the Group has identified and assessed sources of major occupational health and safety hazards within its business scope, and has taken effective control measures against those sources of major hazards. The operation centers of the Group carry out weekly inspection and audits at the workplace and arranges security guards to patrol 24 hours. Once we find any abnormality, we will handle and implement corrective measures immediately, the results of which will be reported to the management. The Group has established an accident handling mechanism and formulated an emergency plan. In the event of a safety incident, we will control the situation as soon as possible according to the internal mechanism and conduct an after-action review. We also understand the importance of precautionary measures and encourage employees to report to the management on emergencies such as incidents and events regarding occupational health and safety, as well as natural disasters. In regard to the third-party manufacturers, we carry out environmental safety information exchange work, issue the Environmental Safety Control Requirements and require the manufacturers to commit to complying with health and safety related requirements in the contract.

Training and education can enhance safety awareness of employees, which is the primary way to reduce the number of safety incidents. In order to improve work efficiency and reduce the probability of safety incidents, we require personnel subject to work safety risks to participate in specialised safety technical training before commencing work. If the operation of mechanical engines is involved, we require the relevant personnel to obtain a qualified operation certificate from the national agency. Moreover, we evaluate the ability of our employees who perform maintenance on a monthly basis, encourage staff to follow our guidance and safety measures proactively. The Group organizes fire prevention, electric shock prevention, fire drills for our staff to raise their safety awareness towards fire and their solving skills.

We have conducted regular safety inspections, supervision and audits to ensure compliance with laws and regulations, including the Labour Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Measures for the Administration of the Nursing of Occupational Disease Patients and the Regulation on Work-Related Injury Insurances. In 2020/21 Fiscal Year, there were no major violations against laws and regulations in relation to the health and safety of employees which have come to the attention of the Group. The death rate of employees due to work was 0% and the number of working days lost due to work injury was zero.

Since the outbreak of COVID-19 pandemic from the beginning of 2020, the Group has paid great attention to its developments and impacts and actively followed the policies issued by local and central governments. Despite the improvement of the pandemic situation, we stay alert and uphold the principle of safeguarding the health and safety of every staff. In order to provide a safe working environment, the Group provides our staff with protection face masks and 75% alcohol disinfectant, and implements online time clock system for clock-in and clock-out, so as to reduce unnecessary contacts. Cleaning officers will disinfect our office areas twice a day in the morning and evening. Before entering the office area, staff is required to check body temperature, only those with normal temperature can enter the office area. Besides, the Group raises our staff's awareness towards pandemic prevention by posting slogans and setting up measures for used masks collection. With the joint efforts by the management and our staff, there was no infection case reported by our staff.

## DEVELOPMENT AND TRAINING

### Employee Training Management

The training structure of the Group is "recruitment, in-service and further improvement", aiming to continuously improve the profession level and job skills of employees to meet the needs of sustainable business development of the Company. The Group's training policies and systems have been elaborated in the Internal Training Management System and the External Training Management System. The internal or external trainings are arranged based on the consideration factors such as training contents, training targets and training costs. We evaluate the development needs of staff on a regular basis, provide supports and encourage them to fulfill their potential in full and achieve self-development. Through induction training provided by the Group, new employees can understand basic business processes, rules and regulations, corporate culture and organisational structure as soon as possible, helping the employees to adapt to the Company's environment. As for the employees in service, the training contents will focus on the knowledge of professional skills and job requirements. It combines with a variety of teaching methods such as theory-discussing meeting, courses, multimedia, on-site demonstration and detailed textbooks to convey knowledge and skills. The Group organizes meetings between the chairman and our staff, achieving communications across levels. Human resources department of the Group pays attention to the aspirations, working status, career planning, suggestion and expectation of every staff towards the Company or the management. We also organize team-building activities regularly to enhance team spirit among its employees. For employees with potential, the Group will provide them with further training, including cross-departmental comprehensive training, or arrange external professional training for them to further improve their professional knowledge and skills. Employees can even receive subsidies after approval by the management for training. For the management personnel, the Group also provides training to enhance their integrated management skills, such as strategy management, resources management and personnel management.

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

In addition to focusing on professional knowledge trainings of employees, the Group also pays attention to the inheritance of its corporate culture. It is the Group's vision to build a "Hundred-year-old IBO". In the year 2020/21, the Group provided corporate culture trainings to all of its employees. It will adhere to the "market-oriented and customer-centric" business philosophy, advocating a working atmosphere with "care, tolerance, self-consciousness and hard work" and the cultural transfer of its business goal of building "Hundred-year-old IBO and even Ten billion IBO".

**Employee Training Rate and Average Hours**

In the year 2020/21, the ratio of employees trained by the Group to the total number of employees was as high as 100%, and the average training duration of employees was 37 hours. The chart below shows the average training hours by gender and employee category.

**Average Training Hours of Employees by Catogory**

## Labour Standards

### Prevention of Child and Forced Labour

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

In 2020/21 Fiscal Year, the Group has strictly complied with the Labour Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour. There were no major violations against the laws and regulations relating to the prevention of child or forced labour which have come to the attention of the Group.

# OUR PRODUCTS

## Supply Chain Management

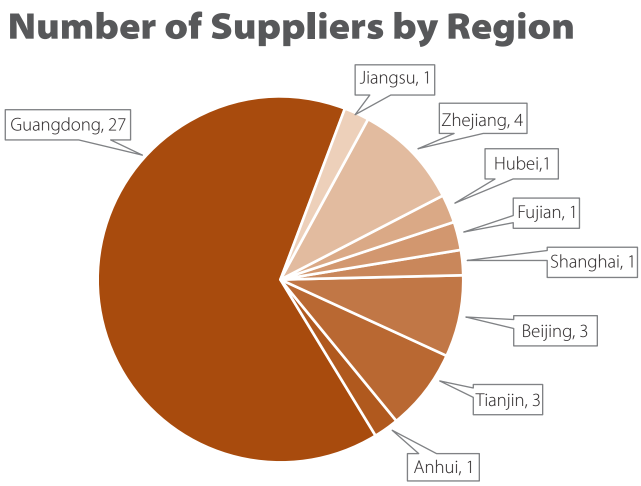
The Group has always adhered to the honest operation and interactive win-win business philosophy, and continued to optimize the management of the supply chain. Through a scientific and strict supplier selection and evaluation system, a sound supplier performance evaluation method, and a fair and impartial evaluation system, the Group creates a good competitive environment for suppliers and guarantees quality from the source of products.

### Supplier Evaluation Mechanism

In order to strengthen the bilateral cooperative relationships with suppliers, the Group has established long-term friendly cooperative relationships with them based on the principles of mutual benefit and common development to prevent the risk of procurement business. We value the communication with our suppliers, emphasising our requirements on product quality and service towards suppliers. According to the "Supplier Evaluation Process" established by the Group, we take technical standards, quality control standards as well as environmental and occupational health and safety management system requirements into considerations for the assessment of suppliers. We also collect and review their business licenses and qualifications. In order to better evaluate the actual situation of suppliers in fulfilling their social responsibilities, if necessary and possible, we will visit the supplier's premise to conduct on-site inspections to examine its production environment, packaging materials, employee management and other social benefit factors, so as to lay the foundation for promoting better fulfillment of social responsibilities when working with them in the future, and to ensure they fulfill our assessment criteria. Only those who pass the assessment can be included in the Qualified Supplier Directory. At the same time, suppliers must commit to complying with relevant laws and regulations. In order to achieve the Group's environmental and social risk management policies, we will also communicate with our suppliers in a timely manner and request their cooperation to commence relevant management measures.

**Number of Suppliers**

The Group maintained a partnership with a total of 42 suppliers in the year 2020/21, and all qualified suppliers were included in the Qualified Supplier Directory after being reviewed through the supplier evaluation mechanism. The chart below shows the number of suppliers by region.




**Supplier Environmental and Social Risk Management**

The procurement supply chain management is based on the purchase of products through the standard fixed-point, pricing and ordering process. Supply chain risks focus on quality risk, market risk, safety, etc. Strengthening the supply chain environment and risk control refers to the business relationship between enterprise product demand and suppliers, which will be gradually optimised to form an excellent supplier group. The Group communicates with suppliers regularly to discuss issues such as purchasing strategy and product quality. By maintaining long-term stable cooperation, suppliers can develop and progress together with us, and suppliers with long-term cooperation can ensure relatively stable business cooperation, thereby maintaining their healthy development.

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

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

## Product Responsibility

### Quality Control

The Group implements strict quality control from the source of supply chain to the end of sales and advocates the "craftsman spirit" for our products production. We actively promote the certification of quality and safety system. During the Reporting Period, the Group continued to pass ISO 9001: 2015 quality management system certification. The quality management regulations and operation manual applicable to our products have been established pursuant to the standard management system. Explicit system guidance is set up for each procedure including the acceptance of raw materials and finished products. Our management and supervisory functions are carefully performed to ensure high quality assurance of raw materials and finished products. For the supply from suppliers and third-party manufacturers, we will carefully test the raw materials and finished products to ensure compliance of the contract requirements. Only qualified raw materials or finished products can be delivered to third-party manufacturers or customers. Any raw materials or finished products that do not meet our quality standards, specifications and requirements are returned to suppliers or third-party manufacturers for exchange, return or re-production.

We also implement quality standards and quality control procedures for software products to ensure that product design meets the quality requirements of our customers and focus on continuously improving the quality of our software products. We will review and inspect the quality requirements and target conditions at different stages of project design, development and completion. By conducting a series of system tests and program tests, the actual results are compared with the expected results in order to find any differences and areas for improvement and strive for excellence. Therefore, we ensure that each customer's needs are met and that the standard and outcome of every product are consistent. No products of the Group were recycled due to safety and health issues in the year 2020/21.

### Customer Service

The Group arranges personnel-in-charge to communicate with the customers in the pre-project, in-project and post-project phases of the products and services, so as to understand customers' needs, safeguard their rights and continuously improve the quality of our services. We will understand the expectations of our customers in details by communication before the project operates, and design a project plan that are satisfactory to customers and based on our customers' interests. During the execution process of the project, we will also closely communicate with the customers about the progress of the project, and accept opinions about the quality and services. Training programs and materials will also be provided when necessary to ensure that the customers have a clear understanding of the usage of our projects. After the completion of the project, we will also provide the customers with timely maintenance services and technical consultation, and will collect their feedbacks on the quality of the Company's products and services and report to other relevant departments with the view to continuously improving the quality of our products and services. The Group did not receive any complaints caused by product and service quality problems in the year 2020/21.

### Customer Information and Privacy

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

We have strictly complied with the Product Quality Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. In 2020/21 Fiscal Year, there were no major violations against the laws and regulations relating to product and service quality which have come to the attention of the Group.

### Maintenance and Management of Intellectual Property Rights

As one of the earliest domestic enterprises engaged in research, development and application of IoT technology, the Group has been cultivating in the field of IoT for nearly 20 years and possesses a number of patented technologies. Therefore, the Group attaches great importance to the maintenance and management of intellectual property rights. It strictly abides by the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Copyright of the People's Republic of China and other laws and regulations to ensure that all patent applications and management comply with legal standards and procedures and to prevent infringement of other intellectual property rights. The requirements for the protection of intellectual property rights are set out in the Intellectual Property Rights and Confidentiality Agreement. All senior management personnel of the technical department must sign the agreement with the Group and agree to protect the intellectual property rights of the Group.

## INTEGRITY MANAGEMENT

### Prevention of Bribery, Extortion, Fraud and Money Laundering

The Group strictly prohibits all forms of bribery, extortion, fraud and money laundering and other illegal acts and actively promotes the cultivation of integrity culture and education. It has zero tolerance for any violation of professional ethics and business ethics and has improved the anti-corruption management system continuously. The Group deeply believes that honesty, integrity and fairness are important assets of the Company. All employees must ensure that the Group's reputation is not compromised by fraud, infidelity or corruption. Therefore, the Group has formulated the Anti-Corruption Discipline Code as the basic standard of disciplinary conduct that employees of the Company must abide by.

The Group has maintained extremely strict requirements for employees' codes of conduct and integrity. Employees' codes of conduct and every integrity-breaching behavior, as well as the accountability and punishment decision are expressly stipulated in the Employee Handbook. Introduction and trainings are provided to new employees on Employee Handbook. Employees are required by the Group to sign a statement at the time of onboarding, agreeing to abide by related provisions. The Group conducts special anti-corruption training for each newly recruited senior management personnel and requires them to sign the Business Self-discipline Clause to show their agreement to abide by the related provisions. If an employee violates the codes of conduct stipulated in the Employee Handbook or the Business Self-discipline Clause, labour contracts may be terminated for those who have serious violations and they may be held liable for related losses. Such cases may be transferred to law enforcement agencies for further action.

The Group has opened up channels for complaints. Any person, including the Company's shareholders or persons intending to become shareholders, customers or consumers, suppliers or contractors, the Company's directors and employees can file a complaint with the Company. The Group will consider and handle all the complaints in a fair and efficient manner, and promise that all the complaint information will be kept absolutely confidential to protect the personal safety of each complainant from infringement.

The Group has strictly complied with the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Interim Provisions on Banning Commercial Bribery and other laws and regulations. In 2020/21 Fiscal Year, there were no major violations against the laws and regulations relating to prevention of bribery, extortion, fraud and money laundering which have come to the attention of the Group.

## OUR SOCIETY

In order to promote the development of social welfare undertakings and the construction of a harmonious society, the Group fulfills its corporate social responsibilities by giving back to society, paying close attention to social issues and integrating social development needs into its corporate business decisions. We actively respond to the appeal of targeted poverty alleviation proposed by the state pursuant to the provisions of the Charity Law of the People's Republic of China, focus on social services, educational support, charitable donations and other aspects and actively carry out public welfare activities.

### Community Services

IBO always pays attention to the needs of the community. We support social activities organised by the government and non-governmental organisations, and are committed to the coordinated development of enterprises and society.

However, due to the COVID-19 pandemic and its continued effect, our community engagement and volunteer activities during the Reporting Period were limited. We expect to participate in more community activities after the end of the pandemic.

### Contribute to the Community

The Group established the "IBO Charity Fund" in January 2018 with the purpose of poverty alleviation and funding students. The fund has launched a series of charity projects successively to help more people in need since its establishment.

In this year, the Group continued to pay attention to the development of education and care for poor families with practical actions, and continued to actively participate in the construction of education infrastructure, supporting education projects and helping poor students.

- The "IBO Charity Fund" supports Lingnan Teachers College to carry out a data analysis project to provide feasible teaching conditions and safe environment for teachers and students.

- The "IBO Charity Fund" has funded medical assistance projects for two poor families to continuously care for the growth of young people.

## CONTENT INDEX FOR THE ESG REPORTING GUIDE OF LISTING RULES TO THE HONG KONG STOCK EXCHANGE

| Disclosure Index | | Relevant Content |
|---|---|---|
| **Aspect: Environment** | | |
| **A1: Emissions** | | |
| General Disclosure | | |
| Information on<br>(a) the policies<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | | Our Environment |
| A1.1 | Types of emissions and respective emissions data. | Emissions Management |
| A1.2 | Greenhouse gas emissions in total (in tons) and intensity (e.g. per unit of production volume, per facility). | Emissions Management: Greenhouse Gas Management |
| A1.3 | Total hazardous waste produced (in tons) and intensity (e.g. per unit of production volume, per facility). | Emissions Management: Hazardous Waste Management |
| A1.4 | Total non-hazardous waste produced (in tons) and intensity (e.g. per unit of production volume, per facility). | Emissions Management: Non-hazardous Waste Management |
| A1.5 | Description of measures to mitigate emissions and results achieved. | Emissions Management |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Emissions Management |

| Disclosure Index | | Relevant Content |
|---|---|---|
| **A2: Use of Resources** | | |
| General Disclosure | | |
| Policies on the efficient use of resources, including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc. | | Use of Resources |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility). | Use of Resources: Electricity Consumption Efficiency |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Use of Resources: Water Consumption Efficiency |
| A2.3 | Description of energy use efficiency initiatives and results achieved. | Use of Resources |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Use of Resources: Water Consumption Efficiency |
| A2.5 | Total packaging material used for finished products (in tons) and with reference to per unit produced. | Use of Resources |
| **A3: The Environment and Natural Resources** | | |
| General Disclosure | | |
| Policies on minimizing the issuer’ significant impact on the environment and natural resources. | | Environmental Management System |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | Environmental Management System |
| **A4: Climate Change** | | |
| General Disclosure | | |
| Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | | Responding to Climate Change |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Responding to Climate Change |
| **Aspect: Social** | | |
| **B1: Employment** | | |
| General Disclosure | | |
| Information on<br>(a) the policies<br>(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. | | Our People |
| B1.1 | Total workforce by gender, employment type, age group and geographical region. | Number of Employees |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | Employee Turnover Ratio |

| Disclosure Index | | Relevant Content |
|---|---|---|
| **B2: Health and Safety** | | |
| General Disclosure | | |
| Information on<br>(a) the policies<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | | Health and Safety |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Health and Safety: Safety Risk Management and Training |
| B2.2 | Lost days due to work injury. | Health and Safety: Safety Risk Management and Training |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety: Safety Risk Management and Training |
| **B3: Development and Training** | | |
| General Disclosure | | |
| Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | | Development and Training |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Development and Training |
| B3.2 | The average training hours completed per employee by gender and employee category. | Development and Training |
| **B4: Labor Standards** | | |
| General Disclosure | | |
| Information on<br>(a) the policies<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | | Labour Standards |
| B4.1 | Description of measures to review employment practices to avoid child and forced labor. | Labour Standards: Prevention of Child and Forced Labour |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | Labour Standards: Prevention of Child and Forced Labour |

| Disclosure Index | | Relevant Content |
|---|---|---|
| **B5: Supply Chain Management** | | |
| General Disclosure | | |
| Policies on managing environmental and social risks of the supply chain. | | Our Products: Supply Chain Management |
| B5.1 | Number of suppliers by geographical region. | Supply Chain Management |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Supply Chain Management |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |
| **B6: Product Responsibility** | | |
| General Disclosure | | |
| Information on<br>(a) the policies<br>(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. | | Our Products |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Our Products: Product Responsibility |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | Our Products: Customer Service |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Our Products: Maintenance and Management of Intellectual Property Protection |
| B6.4 | Description of quality assurance process and recall procedures. | Our Products: Product Responsibility |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Our Products: Customer Information and Privacy |

| Disclosure Index | | Relevant Content |
|---|---|---|
| **B7: Anti-corruption** | | |
| General Disclosure | | |
| Information on<br>(a) the policies<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | | Integrity Management |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Integrity Management |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Integrity Management |
| B7.3 | Description of anti-corruption training provided to directors and staff. | Integrity Management |
| **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. | | Our Society |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | Our Society |
| B8.2 | Resources contributed (e.g. money or time) to the focus area. | Our Society |

## EXECUTIVE DIRECTORS

**Mr. Lai Tse Ming (黎子明先生)**, aged 58, is the founder of the Group, the chairman of the Board and the nomination committee of the Company (the "**Nomination Committee**"), an executive Director and the director of the Investment Decision-making Committee. Mr. Lai is the controlling Shareholder. Mr. Lai is the father of Mr. Lai Kam Man who is a member of senior management of the Company, the assistant to the chairman of the Board, and the deputy general manager of the Corporate Development Department. 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. He is also a director of each of the Company's subsidiaries (excluding IBO Digital, each member of Weitu Group, IBO Intelligent (Shenzhen) Limited* (艾伯智能(深圳)有限公司), Shenzhen IBO Supply Chain Technology Co., Ltd.* (深圳市艾伯供應鏈科技有限公司), IBO Information Technology, IBO Communication, Hunan IBO Communication Co., Ltd.* (湖南艾伯通信有限公司), Inner Mongolia Haoniu E-commerce Digital Technology Co., Ltd.* (內蒙古好牛易購數字科技有限公司), Shenzhen IBO Information Innovation Technology Company Limited* (深圳市艾伯信創科技有限公司) and Shenzhen IBO Holdings Company Limited* (深圳市艾伯控股有限公司)). Mr. Lai has approximately 21 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. Gao Weilong (高偉龍先生)**, aged 50, 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 responsible for overall management of the Group. He joined the Group in March 2006. Mr. Gao has approximately 29 years of experience in engineering and management. Prior to joining the Group, his primary working experience includes: an engineer and subsequently promoted to chief design engineer of China Southern Airlines Power Machinery Company* (中國南方航空動力機械公司) (principally engaged in the manufacturing of aircraft engines, as well as the research and development and manufacturing of motorcycles) from August 1992 to December 2001; a senior engineer of Minghua Environmental Automobile Company Limited* (明華環保汽車有限公司) (principally engaged in the research and design of the gasoline-electric hybrid vehicles and the components thereof) from January 2002 to May 2002; a managing engineer of TCL King Electronics (Shenzhen) Company Limited* (TCL王牌電子(深圳)有限公司) (principally engaged in the research and development, manufacturing and sales of electronic products) from August 2002 to April 2003; a performance management supervisor of Shenzhen Southern CIMC Containers Manufacture Company Limited (深圳南方中集集裝箱製造有限公司) (a subsidiary of China International Marine Containers (Group) Company Limited, a company listed on the Stock Exchange (Stock code: 2039) and the Shenzhen Stock Exchange (Stock code: 000039) and principally engaged in the manufacturing of containers) from January 2004 to February 2006. Mr. Gao received a bachelor degree in automotive engineering in tractor (汽車工程系汽車拖拉機) from Chongqing University (重慶大學) in July 1992, a master degree in engineering in power mechanical engineering from Wuhan Automotive Polytechnic University (武漢汽車工業大學) (now known as Wuhan University of Technology (武漢理工大學)) in March 2000 and a Master of Business Administration (工商管理) from Peking University (北京大學) in June 2004.

* *For identification purpose only*

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Teng Feng (滕峰先生)**, aged 46, 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 17 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 39, is the chief financial officer and an executive Director and the general manager of the Financial Management Department. He is responsible for the overall management of the financial matters of the Group. He is also a director of Bright Leap Limited and Rise Mark Corporation Limited, both of which are subsidiaries of the Company, and a director of Good Cheer Ventures Limited and Sunny Ford Technology Limited, both of which are the investment companies of the Company. Mr. Yu joined us in January 2016. Prior to joining the Group, his primary working experience includes: an auditor of Hong Kong Great Wall CPA Limited (principally engaged in provision of auditing, taxation and company secretarial services) from March 2008 to October 2009; an assistant accountant of Evermate Trading Limited (principally engaged in the mining and trading of iron ore) from June 2010 to September 2010; an account manager of Chung Yuen High Polymer New Materials Holdings Limited (principally engaged in the production and trading of biodegradable plastics) from September 2010 to May 2014; a finance manager of CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited, a company listed on the Stock Exchange (Stock code: 1566) and principally engaged in trading of animation derivative products) from May 2014 to October 2015; a finance director of Bakerhouse Global Limited (principally engaged in financial advice) from October 2015 to January 2016. Mr. Yu graduated from Monash University, Australia with a bachelor degree in commerce in accountancy and finance in December 2007. Mr. Yu has been an associate member of CPA Australia since July 2011.

**Mr. Liang Jun (梁軍先生)**, aged 54, is the deputy chairman and executive Director. He is primarily responsible for the matters relating to corporate strategy and overall development of the Group. He joined the Group in June 2020. He has over 30 years of experience in business development in China. Prior to joining the Group, his major work experience includes acting as an executive director and the chairman of Asia Energy Logistics Group Limited (formerly known as China Sciences Conservational Power Limited) (stock code: 351), a company listed on the Main Board of the Stock Exchange, from June 2006 to February 2020 and from April 2007 to January 2010 respectively. He obtained a Bachelor's Degree in Telecommunication Engineering from Tongji University.

* *For identification purpose only*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. He Tianxiang (何天翔博士)**, aged 37, 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 56, is the independent non-executive Director and the chairman of the remuneration committee of the Board (the "**Remuneration Committee**"). He was appointed as an independent non-executive Director on 6 December 2017. He is a solicitor in Hong Kong and has extensive experience in the legal profession. Dr. Wong has been the principal of Christopher K. Y. Wong, Solicitors since June 2005. Dr. Wong has obtained the following professional qualifications: Chartered Member & Associateship of the Textile Institute (U.K.) in 1990; Civil Celebrant of Marriage in 2006; China-Appointed Attesting Officer in 2009; Arbitrator of Shenzhen International Court of Arbitration/South China International Economic and Trade Arbitration Commission in 2015. Dr. Wong has been an appointed member of the Wong Tai Sin District Council from 2008 to 2011 and 2012 to 2015. Dr. Wong has been a member of District Fire Safety Committee of Wong Tai Sin District since April 2020. Dr. Wong has been a member of the Advisory Council on the Environment since January 2021. 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 56, is the independent non-executive Director and the chairman of the audit committee of the Board (the "**Audit Committee**"). He was appointed as an independent non-executive Director on 6 December 2017. Mr. Hung has extensive experience in auditing, finance and accounting. Since February 2017, Mr. Hung has been a director of Hua Guan New Materials Company Limited* (華冠新型材料股份有限公司), a subsidiary of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in steel production. From February 2005 to February 2017, Mr. Hung was the group financial controller of Guangdong Ming Crown Group Limited* (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. Hung was the group financial controller of Hoi Meng Group* (開明集團). From July 2001 to September 2002, Mr. Hung worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. Hung was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. Hung was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. Hung is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited (Stock code: 171)), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange and an independent non-executive director and chairman of the remuneration committee of CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited (Stock code: 1566)), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. Hung was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange. Mr. Hung received a bachelor ' s degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. Hung obtained a master' s degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. Hung has been a Certified Tax Adviser from July 2010 to March 2020, a member of the Taxation Institute of Hong Kong from June 2010 to March 2020, a fellow member of the Hong Kong Institute of Directors from November 2009 to July 2020, associate of Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formally known as Institute of Chartered Secretaries & Administrators )since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

* *For identification purpose only*

## SENIOR MANAGEMENT

**Mr. Peng Jinzhi (彭金志先生)**, aged 58, is the deputy financial controller and the deputy general manager of the Financial Management Department of the Group and is responsible for the overall management of the financial matters of IBO Information. Mr. Peng joined us in April 2002. Prior to joining the Group, his primary working experience includes: an accountant of Jiangxi Department Store Textile Company* (江西省百貨紡織品公司) (principally engaged in the sales of general merchandise, textiles, cultural products, metal hardware, chemicals and furniture) from March 1983 to September 1994; a general manager of the finance department of Xiamen Yincheng Company Limited* (廈門銀城股份有限公司) (principally engaged in brewing of beer, production of natural mineral water, drinks, canned foods and glassware, and wholesale and retail of beer, foods, drinks and cigarettes (retail only)) from September 1995 to October 1998; a deputy general manager and finance manager of Shandong Zouping Chaoyi Packaging Color Printing Limited* (山東鄒平超藝包裝彩色印刷有限公司) (principally engaged in processing and sales of packaging, prints, plastic films, cartons and household paper) from November 1998 to November 2001. Mr. Peng graduated from Jiangxi Institute of Finance* (江西財經學院) (now known as Jiangxi University of Finance and Economics (江西財經大學)) with a diploma in accounting (會計) in June 1991. Mr. Peng has been a member of the Chinese Institute of Certified Public Accountants and a certified tax agent since November 2003 and January 2005 respectively.

**Mr. Pang Chun Yip (彭俊業先生)**, aged 41, is the finance manager and company secretary and is responsible for the overall management of the accounting, financial compliance and secretarial matters of the Group. Mr. Pang joined the Group in May 2017. Mr. Pang has approximately 16 years of experience in accounting. Before joining the Group, from January 2005 to October 2006, he worked at Wong Kwok Tai & Co. as an audit trainee and was subsequently promoted to an audit semi-senior. During the period of March 2007 to August 2008, Mr. Pang was a semi-senior auditor at Y. L. Ngan & Company Certified Public Accountants. During the period of October 2008 to January 2015, he worked as an assistant accountant in Hanison Construction Company Limited. In January 2015, Mr. Pang joined Wang Kei Yip Development Limited and acted as a senior accountant until August 2015. From September 2015 to November 2016, Mr. Pang worked at China Overseas (Hong Kong) Limited as an accountant. Mr. Pang was a senior accountant in Big Success Accounting Services Limited from November 2016 to February 2018. Mr. Pang graduated from The Chinese University of Hong Kong with a bachelor degree in business administration in December 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

**Mr. Lai Kam Man (黎錦文先生)**, aged 33, is the assistant to the chairman of the Board, the deputy general manager of the Corporate Development Department and is responsible for the overall management of project development of the Group. Mr. KM Lai is the son of Mr. Lai Tse Ming, the chairman of the Board and an executive Director. He joined the Group in August 2013. Mr. KM Lai graduated from Jinan University (暨南大學) with a bachelor degree in international economics and trading (國際經濟與貿易) in July 2013.

**Mr. Gan Xianqing (甘顯清先生)**, aged 37, is the assistant to the chairman of the Board and the office director and the general manager of the Corporate Development Department of the Group and is responsible for the overall management of the procedural, quality and performance matters of the Group. He is also a director of IBO Information and each member of Weitu Group. Mr. Gan joined us in July 2008 as a secretary of the chairman. He graduated from South China Agricultural University (華南農業大學) with a bachelor degree in management in marketing (市場營銷) in July 2008.

* *For identification purpose only*

**Mr. Wang Changhan (王昌漢先生)**, aged 59, is the vice president of IBO Information and the general manager of the information system operation and maintenance division of Sinopec for gas stations (including convenience stores) in Guangdong Province and is responsible for the overall management of the operational maintenance in system information service technology of the Group. Mr. Wang joined us in June 2004. Prior to joining the Group, Mr. Wang was an accountant of Yangchun Supply and Marketing Cooperatives* (陽春市供銷社) (principally engaged in the wholesale, retail and processing of agricultural products) from August 1981 to March 1984. Since April 1984, Mr. Wang worked for different branches of Industrial and Commercial Bank of China. Mr. Wang joined the Yangchun Branch of Industrial and Commercial Bank as an accountant in the business department in May 1984, and his last position in the Yangchun Branch was a manager in the credit business department. Mr. Wang was promoted to a vice president of the Jiangcheng Branch in Yangjiang City in 1988 and was further promoted to a branch president of the Yangxi branch in 1998. Mr. Wang graduated from Party School of the Guangdong Provincial Committee* (中共廣東省委黨校) with a bachelor degree in economics management (經濟管理) in December 2002.

**Mr. Zhu Fujian (朱福建先生)**, aged 45, 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 52, is the project implementation director of the Group and the vice president of IBO Information and is responsible for the overall management of the project implementation matters of the Group. Mr. Zhao joined us in March 2005. Prior to joining the Group, his primary working experience includes: the general manager of Daqing Tianda Hongfang Group Automation Branch* (大慶天大宏方集團自動化分公司) (principally engaged in the automation engineering construction as well as the research, development and production of devices for instruments and metres) from March 1997 to February 2003; and the manager of major project department of Shenzhen Fu An Security Systems Limited* (深圳市賦安安全系統有限公司) (principally engaged in the research and development, manufacturing and sales of fire-fighting products and software) from March 2003 to February 2005. Mr. Zhao graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) with a bachelor degree in engineering in precision instrument (精密儀器) in July 1992.

* *For identification purpose only*

**Mr. Ke Chengwei (柯程煒先生)**, aged 48, is the vice president of the Group and is responsible for the overall management of the Group. He is also the chairman and general manager of Weitu Technology and Yunwei Network, a supervisor of Hunan Yingding and a director of Bright Leap Limited and Rise Mark Corporation Limited, all of which are the subsidiaries of the Company. He joined the Group after the Group completed the acquisition of 51.7321% ownership interests in Bright Leap Limited in January 2019. He was a computer room supervisor of Shenzhen Construction Group* (深圳市建設集團) (principally engaged in real estate development, construction general contracting, property operation and management) from 1994 to 1996 and served as the head of the research and development department in Shenzhen Yadu Graphic Software Co., Ltd.* (深圳市雅都圖形軟體有限公司) (principally engaged in the development, production and sales of computer software products and electronic automation products) from 1996 to 2004. Mr. Ke founded Weitu Technology (principally engaged in the technological development of computer software and hardware) in March 2004 and was its executive director until January 2019. Since January 2019, he has served as the chairman of Weitu Technology. He founded Yunwei Network (principally engaged in the technological development of computer software and network) in March 2016 and was its executive director until January 2019. Since January 2019, he has served as the chairman of Yunwei Network. He has served as a supervisor of Hunan Yingding (principally engaged in the research and development of network technology and software development) since September 2016, and the chairman of Fangyu Yunwei (principally engaged in the technology development, services, consulting and transfer in the field of Internet of Things) from January 2019 to March 2021. Mr. Ke graduated from the Computer Department of Southeast University in 1994.

* *For identification purpose only*

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2021 of the Group.

## PRINCIPAL BUSINESSES

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

## FINANCIAL RESULTS

The results of the Group for the year ended 31 March 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 110.

## 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 the Laws of Hong Kong) including an analysis of the Group's performance, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the above sections headed "Chairman's Statement", "Management Discussion and Analysis" and this Report of the Directors of this annual report. Details of the Group's capital risk management and financial risk management are disclosed in notes 38 and 39 to the consolidated financial statements respectively.

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

## SHARE CAPITAL

As at 31 March 2021, the total amount of the issued share capital of the Company was approximately RMB4.1 million, divided into 488,263,141 Shares of HK$0.01 per Share. Details of changes in the share capital of the Company during the Year are set out in note 35 to the consolidated financial statements.

## ISSUED DEBENTURES

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

## EQUITY-LINKED AGREEMENTS

### Share Option Scheme

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

### Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under 2018 General Mandate

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

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

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

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

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

(iv) the placee(s) having successfully subscribed for 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 approval of publishing announcement(s) in relation to the placing, any suspension of trading in the Shares exceeding 10 consecutive business days, or any Share ceasing to be listed on the Stock Exchange; and

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

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

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under 2018 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(s) 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(s) 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(s), 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(s) may forthwith terminate the convertible bonds subscription agreement and cancel the subscription of the convertible bonds.

On 3 April 2019, convertible bonds in an aggregate principal amount of HK$22,400,000 have been successfully placed to the placees, all of whom and whose ultimate beneficial owners are independent third parties. During the Year, the conversion rights attached to the convertible bonds in the principal amount of HK$13,440,000 have been exercised and converted into 8,400,000 conversion Shares (with an aggregate nominal value of HK$84,000) at the initial conversion price of HK$1.6 per conversion Share. On 31 March 2021, the conversion rights attached to the convertible bonds in the principal amount of HK$15,360,000 have been exercised at the initial conversion price of HK$1.6 per conversion Share, and 9,600,000 conversion shares have been allotted and issued to the convertible bond holders, according to the terms and conditions of the convertible bonds with an aggregate nominal value of HK$96,000. The conversion Shares rank pari passu in all respects with all Shares in issue on the date of allotment and among themselves.

On 31 March 2021, the outstanding aggregate principal amount of convertible bonds was HK$7,040,000. Assuming the full conversion into conversion shares and based on the initial conversion price of HK$1.6 per conversion share, 4,400,000 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights with the aggregate nominal value of HK$44,000. The conversion shares will be allotted and issued under the 2018 General Mandate. The allotment and issue of the conversion Shares are not subject to Shareholders' approval, but no bondholder shall exercise any conversion rights and the Company shall not issue any conversion Share in the event that the exercise of such conversion rights by the bondholder will cause: (1) the bondholder and/or parties acting in concert (as defined in the Takeovers Code) with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with the Takeovers Code, unless the bondholder undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code; and/or (2) the public float of the Company being less than 25% of its issued share capital.

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$22,400,000 under 2018 General Mandate (Continued)

The gross proceeds from the placing were HK$22,400,000. The net proceeds from the placing (after deducting the placing commission and other expenses) were approximately HK$21,400,000 (equivalent to approximately RMB18,319,000). The net conversion price, after deduction of relevant expenses, was 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 31 March 2021, the Group has utilised all net proceeds, and net proceeds have been used in the manner set out in the announcement of the Company dated 3 April 2019, which were 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 utilisation of net proceeds was summarised as below:

| | Planned allocation of net proceeds from placing of convertible bonds | | Actually utilised amount as of 31 March 2021 | Unutilised amount as of 31 March 2021 |
|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 |
| Project in relation to the strategic cooperation framework agreement with IAC | 100.0 | 18,319 | 18,319 | – |

### Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under 2018 General Mandate

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

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

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

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

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

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

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

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

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under 2018 General Mandate (Continued)

**Completion of the placing is conditional upon:** (Continued)

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

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

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

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

(iii) the placee(s) 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(s), 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(s) may forthwith terminate the convertible bonds subscription agreement and cancel the subscription of the convertible bonds.

On 10 July 2019, convertible bonds in an aggregate principal amount of HK$31,140,000 have been successfully placed to the placees, all of whom and whose ultimate beneficial owners are independent third parties. During the Year, the conversion rights attached to the convertible bonds in the principal amount of HK$14,947,200 have been exercised and converted into 8,640,000 conversion shares (with an aggregate nominal value of HK$86,400) at the initial conversion price of HK$1.73 per conversion share. As of 31 March 2021, the conversion rights attached to the convertible bonds in principal amount of HK$16,504,200 have been exercised at the initial conversion price of HK$1.73 per conversion Share, and 9,540,000 conversion shares have been allotted and issued to the convertible bond holders according to the terms and conditions of the convertible bonds with an aggregate nominal value of HK$95,400. The conversion Shares rank pari passu in all respects with all Shares in issue on the date of allotment and among themselves.

## EQUITY-LINKED AGREEMENTS (Continued)

### Placing of Convertible Bonds in a Total Principal Amount of HK$31,140,000 under 2018 General Mandate (Continued)

On 31 March 2021, the outstanding aggregate principal amount of convertible bonds was HK$14,635,800, assuming the full conversion into conversion shares, based on the initial conversion price of HK$1.73 per conversion share, 8,460,000 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$84,600. The conversion shares will be allotted and issued under the 2018 General Mandate. The allotment and issue of the conversion Shares are not subject to Shareholders' approval, but no bondholder shall exercise any conversion rights and the Company shall not issue any conversion Share in the event that the exercise of such conversion rights by the bondholder will cause: (1) the bondholder and/or parties acting in concert (as defined in the Takeovers Code) with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with the Takeovers Code, unless the bondholder undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code; and/or (2) the public float of the Company being less than 25% of its issued share capital.

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

As of 31 March 2021, the Group has utilised all net proceeds, and net proceeds have been used in the manner set out in the announcement of the Company dated 10 July 2019, which were used for the "Digitalisation Project of Smart Agriculture and Livestock Industry in Tongliao* (通遼智慧畜牧產業數字化項目)". As disclosed in such voluntary announcement, at the first stage of such project of two to three years, the Company planned to contribute approximately RMB90,000,000 for the establishment and implementation of its nine sub-projects, and the net proceeds provided the first round of funding for kicking off and setting up of such project. The utilisation of net proceeds was summarised as below:

| | Planned allocation of net proceeds from placing of convertible bonds | | Actually utilised amount as of 31 March 2021 | Unutilised amount as of 31 March 2021 |
|---|---|---|---|---|
| | % | 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 | 26,624 | – |

### Use of Net Proceeds from the Subscription of 50,000,000 Subscription 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 was HK$1,000,000.

* *For identification purposes only*

## EQUITY-LINKED AGREEMENTS (Continued)

### Use of Net Proceeds from the Subscription of 50,000,000 Subscription Shares by a Connected Person under Specific Mandate (Continued)

The subscription shares, when issued and fully paid, will rank pari passu among themselves and with all existing Shares presently in issue and at the time of allotment and issue of the subscription shares. The subscription will be completed in two stages with 50,000,000 subscription shares in each of the First Stage Subscription and the Second Stage Subscription (as defined in the circular of the Company dated 25 April 2019). Shine Well may not subscribe less than 50,000,000 subscription shares in each stage. On 15 February 2019, being the last trading day before the date on which the terms of issue were 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$149,000,000 (after deducting all relevant expenses), therefore the net issue price per subscription share is approximately HK$1.49.

On 17 February 2019, 223,220,000 Shares were held by Shine Well, representing approximately 55.81% of the total issued Shares, which is a controlling Shareholder of the Company, and therefore Shine Well is a connected person of the Company under Chapter 14A of the Listing Rules. The subscription agreement and the transactions 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 requirements. 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's subscription was approved by the independent Shareholders at the extraordinary general meeting of the Company 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 a controlling Shareholder.

**Conditions Precedent to the First Stage Subscription**

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

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

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

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

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

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

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

## EQUITY-LINKED AGREEMENTS (Continued)

### Use of Net Proceeds from the Subscription of 50,000,000 Subscription Shares by a Connected Person under Specific Mandate (Continued)

**Conditions Precedent to the First Stage Subscription** (Continued)

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, Shine Well may terminate the First Stage Subscription, but such termination will not lead to the cancellation of the subscription agreement and/or the Second Stage Subscription.

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

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

**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 ended 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.

## EQUITY-LINKED AGREEMENTS (Continued)

### Use of Net Proceeds from the Subscription of 50,000,000 Subscription Shares by a Connected Person under Specific Mandate (Continued)

**Conditions Precedent to the Second Stage Subscription** (Continued)

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

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

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

Pursuant to one of the conditions precedent to the First Stage Subscription of the subscription agreement, the respective total revenue of the Group as shown in the relevant audit report to be prepared by the auditor of the Company for each of the financial years ended 31 March 2019 and 31 March 2020 shall be not lower than RMB265,875,000 and RMB358,931,250 (the "**First Revenue Targets**"). The audited reports of the Group for each of the financial years ended 31 March 2019 and 31 March 2020 indicated that the First Revenue Targets had exceeded RMB265,875,000 and RMB358,931,250 respectively. Pursuant to the third supplemental subscription agreement, as additional time was required by Shine Well to complete the financial arrangement in relation to the First Stage Subscription, the parties mutually agreed to extend the completion of the First Stage Subscription to 26 February 2021.

On 3 February 2021, as all of the conditions precedent to the First Stage Subscription have been fulfilled and Shine Well has completed the financial arrangement in relation to the First Stage Subscription, 50,000,000 subscription shares with an aggregate nominal value of HK$500,000 were allotted and issued to Shine Well at a subscription price of HK$1.5 per subscription share under the specific mandate and the First Stage Subscription was completed with gross proceeds amounting to HK$75,000,000. The net proceeds from the First Stage Subscription (after deducting all related expenses) were approximately HK$74,500,000 (equivalent to approximately RMB62,200,000), and the net issue price per subscription share after deduction of related expenses is approximately HK$1.49. Further details are set out in the announcements of the Company dated 17 February 2019, 17 May 2019, 29 September 2020, 30 October 2020, 31 December 2020 and 3 February 2021 and the circular of the Company dated 25 April 2019.

## EQUITY-LINKED AGREEMENTS (Continued)

### Use of Net Proceeds from the Subscription of 50,000,000 Subscription Shares by a Connected Person under Specific Mandate (Continued)

As of 31 March 2021, the Group has used a total of approximately RMB23.40 million of the net proceeds, and the net proceeds have been used in the manner as set out in the circular of the Company dated 25 April 2019 (i.e. for the I4 Project, the FSM Project, the MS Project and other projects as stated in such circular), as well as for additional working capital and other general corporate purposes such as staff costs, auditor's remuneration and rental expenses, etc. The unutilised portion of the net proceeds from the subscription of 50,000,000 Subscription Shares by a connected person under specific mandate has been deposited in licensed financial institutions. Set out below are summary of use of the net proceeds:

| | Planned allocation of net proceeds from subscription of 50,000,000 subscription shares (Note 1) | | Actually utilised amount as of 31 March 2021 | Unutilised amount as of 31 March 2021 |
|---|---|---|---|---|
| | % | RMB million | RMB million | RMB million |
| I4 Project | 77.8 | 48.4 | 11.1 (Note 2) | 37.3 (Notes 3, 5) |
| Additional working capital and other general corporate purposes | 14.8 | 9.2 | 9.2 | – |
| FSM Project | 3.4 | 2.1 | 0.6 | 1.5 (Notes 4, 5) |
| Other projects, including but not limited to the MS Project | 4.0 | 2.5 | 2.5 | – |
| | 100.0 | 62.2 | 23.4 | 38.8 |

*Notes:*

1. The amount here is less than that in the section headed "(I) THE SUBSCRIPTION — Use of Proceeds" in the letter from Board in the circular of the Company dated 25 April 2019. This is only due to the completion of the First Stage Subscription and not yet completion of the Second Stage Subscription as at 31 March 2021, as well as the fluctuation of the exchange rate. The the planned allocation of the net proceeds was adjusted in the proportion set out in the circular of the Company dated 25 April 2019.

2. As stated in the circular of the Company dated 25 April 2019, the planned allocation amount should have been used up as at 31 March 2021. However, as Shine Well required more time to complete the financial arrangement in relation to the First Stage Subscription, the date of completion of First Stage Subscription shall extend from on any day or before 30 September 2020 (as originally scheduled) to 3 February 2021. In addition, since I4 Project involves foreign trade and the global COVID-19 pandemic is still ongoing during the Year, which also affected the progress of the use of proceeds. Details are set out in the announcements of the Company dated 29 September 2020, 30 October 2020, 31 December 2020 and 3 February 2021.

3. Expected to be used up in March 2022.

4. Expected to be used up in March 2022.

5. The expected timeline for use of unutilised proceeds is based on the Group's best estimate of future market conditions, subject to current and future changes of market developments.

As at 31 March 2021, none of the conditions precedent to the Second Stage Subscription has been fulfilled.

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Issued Share Capital of Bright Leap Involving Issue of Consideration Shares under 2018 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 2018 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 adjustment 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 agreement, the Bright Leap acquisition shall be subject to fulfilment of the following conditions precedent:

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

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

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

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

(e) Upright Joy having obtained all necessary permissions and approvals relating to the sale and purchase agreement 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 Wisdom Galore and Thriving Ascend under the sale and purchase agreement remaining true, accurate, complete and not misleading or having been violated, and there having been no event or situations leading to any material adverse changes.

The above conditions precedent have been fulfilled or satisfied in or before January 2019. Bright Leap Acquisition has been completed in January 2019.

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Issued Share Capital of Bright Leap Involving Issue of Consideration Shares under 2018 General Mandate (Continued)

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, 31 March 2020 and 31 March 2021 shall not be less than RMB10,000,000 (the "**First Year Guaranteed Profit**"), RMB20,000,000 (the "**Second Year Guaranteed Profit**") and RMB25,000,000 (the "**Third Year Guaranteed Profit**"), respectively.

The audited total profit of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong and Weitu Group for the year ended 31 March 2020 exceeded the Second Year Guaranteed Profit. Under the relevant Consideration Shares adjustment mechanism, 8,195,632 Consideration Shares of the Second Year Guaranteed Profit have been allotted and issued to Wisdom Galore pursuant to the 2018 General Mandate on 11 December 2020. 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, 17 September 2019 and 11 December 2020.

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 2021 is expected to exceed the Third Year Guaranteed Profit, and the audited total profits of Bright Leap, a wholly-owned subsidiary of Bright Leap in Hong Kong, and Weitu Group for the years ended 31 March 2019, 31 March 2020 and 31 March 2021 are expected to exceed the aggregate amount of the First Year Guaranteed Profit, the Second Year Guaranteed Profit and the Third Year Guaranteed Profit (i.e. RMB55,000,000). Under the relevant Consideration Shares adjustment mechanism, 8,195,632 Consideration Shares (the "**Third Year Consideration Shares**") will be allotted and issued to Wisdom Galore pursuant to the 2018 General Mandate. The Third Year Consideration Shares are expected to be allotted and issued in the third quarter of 2021. Announcement will be made for the allotment and issuance of the Third Year Consideration Shares.

**Consideration Shares Adjustment Mechanism:**

*For the year ended 31 March 2019:*

(a) If the net profit set out in the audited accounts of Bright Leap and its subsidiaries for the year ended 31 March 2019 (the "**First Year Actual Profit**") is not less than RMB10,000,000 (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 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

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Issued Share Capital of Bright Leap Involving Issue of Consideration Shares under 2018 General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)

*For the year ended 31 March 2019: (Continued)*

(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

*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 not 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

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Issued Share Capital of Bright Leap Involving Issue of Consideration Shares under 2018 General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)

*For the year ended 31 March 2020: (Continued)*

(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

*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 not 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

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Issued Share Capital of Bright Leap Involving Issue of Consideration Shares under 2018 General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)

*For the year ended 31 March 2021: (Continued)*

(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

*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. RMB55,000,000), 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:

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

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

## EQUITY-LINKED AGREEMENTS (Continued)

### Acquisition of 51.7321% Issued Share Capital of Bright Leap Involving Issue of Consideration Shares under 2018 General Mandate (Continued)

**Consideration Shares Adjustment Mechanism:** (Continued)

*For the three years ended 31 March 2021: (Continued)*

If the aggregate amount of the First Year Actual Profit/Loss, the Second Year Actual Profit/Loss and the Third Year Actual Profit/Loss is less than the sum of the First Year Guaranteed Profit, the Second Year Guaranteed Profit and the Third Year Guaranteed Profit (i.e. RMB55,000,000), Upright Joy shall procure the Company to allot and issue Consideration Shares to Wisdom Galore, the number of which shall be calculated according to the following formula:

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

where

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

## RELATIONSHIP WITH EMPLOYEES

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

## CHARITY AND DONATIONS

During the Year, the Group did not make any charitable donation (2020: Nil).

## RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

## DISTRIBUTABLE RESERVES

The reserves distributable to the Shareholders amounting to approximately RMB300.15 million as at 31 March 2021 (31 March 2020: approximately RMB225.80 million) included share premium and retained profits.

## DIRECTORS

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

### Executive Directors
Mr. Lai Tse Ming *(Chairman)*
Mr. Liang Jun *(Deputy Chairman)(Note 1)*
Mr. Gao Weilong *(Chief Executive Officer)*
Ms. Cheng Yan *(Vice Chairperson)(Note 2)*
Mr. Teng Feng
Mr. Yu Kin Keung
Mr. Lyu Huiheng*(Note 3)*

### Non-Executive Director
Ms. Sun Qing*(Note 4)*

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

## DIRECTORS (Continued)

*Notes:*

1. Mr. Liang was appointed as executive Director on 23 March 2021.

2. Ms. Cheng has resigned as an executive Director and vice chairperson of the Company with effect from 25 May 2020 since Ms. Cheng has confirmed that there is no disagreement with the Board and she is not aware of any matters that need to be brought to the attention of the Shareholders or the Stock Exchange in relation to her resignation.

3. Mr. Lyu has resigned as an executive Director with effect from 23 March 2021 as he would like to spend more time pursuing his business development. Mr. Lyu has confirmed that there is no disagreement with the Board and he is not aware of any matters that need to be brought to the attention of the shareholders of the Company or the Stock Exchange in relation to his resignation.

4. Ms. Sun was appointed as non-executive Director on 23 July 2020. Ms. Sun has resigned as a non-executive Director with effect from 10 February 2021 as she would like to spend more time on another listed company. Ms. Sun has confirmed that there is no disagreement with the Board and she is not aware of any matters that need to be brought to the attention of the shareholders of the Company or the Stock Exchange in relation to her resignation.

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

Pursuant to the articles of association of the Company (the "**Articles of Association**") and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, Mr. Lai Tse Ming, Mr. Yu Kin Keung and Dr. Wong Kwok Yan 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.

In addition, Mr. Liang Jun was appointed as an executive Director with effect from 23 March 2021. In accordance with Article 83(3) of the Articles of Association, Mr. Liang Jun will retire as an executive Director at the forthcoming annual general meeting, being the first general meeting of the Company after his appointment, and being eligible, offer himself for re-election. Mr. Liang Jun will be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years.

## CHANGES TO DIRECTORS' INFORMATION

The changes of information of the Directors since the date of the annual report of the Company for the year ended 31 March 2020 to the date of this report pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

**Mr. Lai Tse Ming**

- Mr. Lai is a director of each of the Company's subsidiaries (excluding IBO Digital, each member of Weitu Group, IBO Intelligent (Shenzhen) Limited* (艾伯智能(深圳)有限公司), Shenzhen IBO Supply Chain Technology Co., Ltd.* (深圳市艾伯供應鏈科技有限公司), IBO Information Technology, IBO Communication, Hunan IBO Communication Co., Ltd.* (湖南艾伯通信有限公司), Inner Mongolia Haoniu E-commerce Digital Technology Co., Ltd.* (內蒙古好牛易購數字科技有限公司), Shenzhen IBO Information Innovation Technology Company Limited* (深圳市艾伯信創科技有限公司) and Shenzhen IBO Holdings Company Limited* (深圳市艾伯控股有限公司)) at the date of this report;

- Mr. Lai has ceased to be the chairman of IBO Information since December 2020; and

- Mr. Lai's annual salary and other allowances have been adjusted to HK$1,800,000 since June 2021, and the annual director's fee has remained unchanged at HK$1,200,000.

* *For identification purposes only*

## CHANGES TO DIRECTORS' INFORMATION (Continued)

**Mr. Gao Weilong**

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

- Mr. Gao's annual director's fee has been adjusted to HK$600,000 since June 2021, and his annual salary and other allowances have remained unchanged at RMB480,000.

**Mr. Teng Feng**

- Mr. Teng's annual director's fee has been adjusted to HK$600,000 since June 2021, and his annual salary and other allowances have remained unchanged at RMB384,000.

**Mr. Yu Kin Keung**

- Mr. Yu's annual director's fee has been adjusted to HK$600,000 since June 2021, and his annual salary and other allowances have been adjusted to HK$1,200,000.

**Mr. Liang Jun**

- Mr. Liang's annual director's fee has been adjusted to HK$600,000 since June 2021, and his annual salary and other allowances have been adjusted to HK$840,000.

**Dr. He Tianxiang**

- Dr. He's annual director's fee remains unchanged at HK$200,000.

**Dr. Wong Kwok Yan**

- Dr. Wong has been a member of District Fire Safety Committee of Wong Tai Sin District since April 2020;

- Dr. Wong has been a member of the Advisory Council on the Environment since January 2021; and

- Dr. Wong's annual director's fee remains unchanged at HK$200,000.

**Mr. Hung Muk Ming**

- Mr. Hung ceased to be a fellow member of the Hong Kong Institute of Directors since July 2020; and

- Mr. Hung's annual director's fee remains unchanged at HK$200,000.

## PERMITTED INDEMNITY PROVISION

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

## DIRECTORS' SERVICE CONTRACTS

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

None of the Directors had any existing or proposed service contracts 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, and/or debt securities (including the debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")).

## DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

## CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed in this report, 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 2021 by an independent professional property valuer and the gain/loss arising from changes in fair value of investment properties was charged directly to profit or loss. Details of the Group's properties as at 31 March 2021 are set out in note 18 to the consolidated financial statements.

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

## SHARE OPTION SCHEME

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

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

### (a) Purpose

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

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

The Board may, at its discretion, invite:

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

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

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

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

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

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

## SHARE OPTION SCHEME (Continued)

### (c) Acceptance of Offer

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

### (d) Subscription price

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

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

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

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

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

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

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

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

## SHARE OPTION SCHEME (Continued)

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

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

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

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

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

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

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

(2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of such grant and if the date of such grant is not a trading day, the trading day immediately preceding the date of such grant, in excess of HK$5,000,000, such proposed grant of share options must be approved by the Shareholders in general meeting and the Company must send a circular to the Shareholders containing all those terms as required under the Listing Rules. The participant concerned, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such share options must be taken on a poll.

### (i) Exercise of share options

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

## SHARE OPTION SCHEME (Continued)

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

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

As at the date of this report, the outstanding number of share options available for issue under the existing scheme mandate limit is 41,092,750, representing 7.5% 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 61,092,750 Shares, representing 11.1% of the total number of issued Shares as at the date of this report.

## SHARE OPTION SCHEME (Continued)

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

| Name and/or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2020 | During the Year: Granted | During the Year: Exercised | During the Year: Cancelled | During the Year: Lapsed | Outstanding as at 31 March 2021 | Vesting Period of share options | Exercisable period of shares options | Exercise price per Share HK$ | Closing price per Share immediately before the date of grant HK$ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | | |
| Ms. Cheng | 15 October 2019 | 6,000,000 | – | – | (6,000,000) | – | – | 15 October 2019 to 6 August 2020 | 7 August 2020– 6 August 2023 | 1.6 | 2.00 | *(Note 1)* |
| Ms. Cheng | 15 October 2019 | 6,000,000 | – | – | (6,000,000) | – | – | 15 October 2019 to 6 August 2021 | 7 August 2021– 6 August 2023 | 1.6 | 2.00 | *(Note 1)* |
| Ms. Cheng | 15 October 2019 | 8,000,000 | – | – | (8,000,000) | – | – | 15 October 2019 to 6 August 2022 | 7 August 2022– 6 August 2023 | 1.6 | 2.00 | *(Note 1)* |
| Mr. Lai | 17 May 2019 | 6,000,000 | – | – | – | – | 6,000,000 | Vested immediately on the date of grant | 17 May 2019– 16 February 2022 | 1.6 | 1.78 | *(Note 2)* |
| Mr. Lai | 17 May 2019 | 6,000,000 | – | – | – | – | 6,000,000 | 17 May 2019 to 16 February 2020 | 17 February 2020– 16 February 2022 | 1.6 | 1.78 | *(Note 2)* |
| Mr. Lai | 17 May 2019 | 8,000,000 | – | – | – | – | 8,000,000 | 17 May 2019 to 16 February 2021 | 17 February 2021– 16 February 2022 | 1.6 | 1.78 | *(Note 2)* |
| Mr. Gao Weilong ("**Mr. Gao**") | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Mr. Gao | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018– 28 June 2019 | 29 June 2019– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Mr. Gao | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018– 28 June 2020 | 29 June 2020– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Mr. Teng Feng ("**Mr. Teng**") | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018– 28 June 2019 | 29 June 2019– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Mr. Teng | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018– 28 June 2020 | 29 June 2020– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Mr. Yu Kin Keung ("**Mr. Yu**") | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018– 28 June 2021 | 1.612 | 1.55 | *(Note 4)* |
| 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 4)* |
| 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 4)* |
| **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 5)* |
| 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 5)* |
| 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 5)* |
| **Employees** | 29 June 2018 | 7,200,000 | – | – | – | – | 7,200,000 | Vested immediately on the date of grant | 29 June 2018– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| **Employees** | 29 June 2018 | 7,200,000 | – | – | – | – | 7,200,000 | 29 June 2018– 28 June 2019 | 29 June 2019– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| **Employees** | 29 June 2018 | 9,600,000 | – | – | – | – | 9,600,000 | 29 June 2018– 28 June 2020 | 29 June 2020– 28 June 2021 | 1.612 | 1.55 | *(Note 3)* |
| Total | | 80,000,000 | – | – | (20,000,000) | – | 60,000,000 | | | | | |

*Notes:*

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

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

3. All the share options granted to the grantees were exercised on 25 June 2021, and the weighted average closing price of each Share immediately before the option exercise date was HK$3.65.

## SHARE OPTION SCHEME (Continued)

*Notes: (Continued)*

4. All the share options granted to the grantee were exercised on 21 June 2021, and the weighted average closing price of each Share immediately before the option exercise date was HK$3.81.

5. All the share options granted to the grantee were exercised on 28 June 2021, and the weighted average closing price of each Share immediately before the option exercise date was HK$3.69.

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

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Long positions in the Shares

| Name of Director | Capacity/Nature of interests | Number of Shares held/interested in | Underlying Shares (under equity derivatives of the Company) *(Note 3)* | Percentage of shareholding/ interests *(Note 1)* |
|---|---|---|---|---|
| Mr. Lai | Interest of controlled corporation and beneficial owner | 217,320,000 *(Notes 2, 4)* | 20,000,000 | 48.60% |
| Mr. Gao | Beneficial owner | – | 4,000,000 | 0.82% |
| Mr. Teng | Beneficial owner | – | 4,000,000 | 0.82% |
| Mr. Yu | Beneficial owner | – | 4,000,000 | 0.82% |

### 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 | 100% |

*Notes:*

1. The percentage of shareholding is calculated based on 488,263,141 Shares in issue as at 31 March 2021.

2. These 217,320,000 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. A 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. On 3 February 2021, 50,000,000 subscription shares were allotted and issued by the Company to Shine Well and the First Stage Subscription was completed. Further details are set out in the announcements of the Company dated 17 February 2019, 17 May 2019, 29 September 2020, 30 October 2020, 31 December 2020 and 3 February 2021, and the circular of the Company dated 25 April 2019. As at 31 March 2021, none of the conditions precedent to the Second Stage Subscription have been fulfilled, and it is expected that the 50,000,000 Subscription Shares will be allotted and issued by the Company to Shine Well upon completion of the Second Stage Subscription, which has been included in the disclosure of interests for these 217,320,000 Shares.

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

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

### Long positions in the ordinary shares of an associated corporation (Continued)

Save as disclosed herein, as at 31 March 2021, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2021, as far as known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Substantial Shareholders' long positions in the Shares

| Name of Shareholders | Capacity/Nature of interests | Number of Shares held/interested in | Underlying Shares (under equity derivatives of the Company) *(Note 3)* | Percentage of shareholding *(Note 1)* |
|---|---|---|---|---|
| Shine Well *(Note 2)* | Beneficial owner | 217,320,000 *(Note 4)* | – | 44.51% |
| Ms. Ho Fung Lin ("**Ms. Ho**") *(Note 2)* | Interests of spouse | 217,320,000 *(Note 4)* | 20,000,000 | 48.60% |

### Other persons' long positions in the Shares

| Name of Shareholders | Capacity/Nature of interests | Number of Shares held/interested in | Underlying Shares (under equity derivatives of the Company) | Percentage of shareholding *(Note 1)* |
|---|---|---|---|---|
| Value Convergence Holdings Limited *(Note 5)* | Beneficial owner and interests in a controlled corporation | 39,058,000 *(Note 6)* | 3,600,000 *(Note 7)* | 8.74% |
| Mr. Xiong Shaoming (熊少明)("**Mr. Xiong**") | Beneficial owner | 32,712,000 | – | 6.70% |
| Ms. Han Xiao (韓笑)("**Ms. Han**") *(Note 8)* | Interests of spouse | 32,712,000 | – | 6.70% |

*Notes:*

1. The percentage of shareholding is calculated based on 488,263,141 Shares in issue as at 31 March 2021.
2. The issued share capital of Shine Well is wholly and beneficially owned by Mr. Lai. Mr. Lai is therefore deemed to be interested in the Shares held by Shine Well pursuant to the SFO. Ms. Ho is the spouse of Mr. Lai and thus she is deemed to be interested in the Shares in which Mr. Lai is interested for the purpose of the SFO.
3. Details of share options are set out in the section headed "Share Option Scheme".

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

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

*Notes: (Continued)*

4. A subscription agreement was 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. On 3 February 2021, 50,000,000 subscription shares were allotted and issued by the Company to Shine Well and the First Stage Subscription was completed. Further details are set out in the announcements of the Company dated 17 February 2019, 17 May 2019, 29 September 2020, 30 October 2020, 31 December 2020 and 3 February 2021, and the circular of the Company dated 25 April 2019. As at 31 March 2021, none of the conditions precedent to the Second Stage Subscription have been fulfilled, and it is expected that the 50,000,000 Subscription shares will be allotted and issued by the Company to Shine Well upon completion of the Second Stage Subscription, which has been included in the disclosure of interests for these 217,320,000 Shares.

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

6. 36,596,000 Shares of which are wholly and beneficially owned by Value Convergence Holdings Limited, and the remaining 2,462,000 Shares are wholly and beneficially owned by VC Brokerage Limited. VC Brokerage Limited is a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by VC Financial Group Limited (a limited company incorporated in BVI), while VC Financial Group Limited is wholly and beneficially owned by Value Convergence Holdings Limited. Value Convergence Holdings Limited is therefore deemed to be interested in the Shares held by VC Brokerage Limited for the purpose of the SFO.

7. The Convertible Bonds in the principal amount of HK$5,760,000 is transferred to Value Convergence Holdings Limited by other convertible bondholders of the Company. Assuming full conversion into conversion of Shares, based on the initial conversion price of HK$1.6 per conversion share, 3,600,000 conversion shares will be allotted and issued by the Company to Value Convergence Holdings Limited upon full exercise of the conversion rights. As at 31 March 2021, Value Convergence Holdings Limited still holds the convertible bonds in the principal amount of HK$5,760,000 which will be due on 3 April 2022.

8. Ms. Han is the spouse of Mr. Xiong and is therefore deemed to be interested in Shares in which Mr. Xiong is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## EMOLUMENT POLICY

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

## REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

## RETIREMENT SCHEMES

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## CONNECTED TRANSACTION AND RELATED PARTY TRANSACTION

On 17 February 2019, the Company and Shine Well entered into a 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. Further details are set out in the section headed "Equity-linked Agreements — Use of Net Proceeds from the Subscription of 50,000,000 Subscription Shares by a Connected Person under Specific Mandate" in this report.

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

## DEED OF NON-COMPETITION

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

## COMPETING BUSINESS

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

The 5 largest customers of the Group accounted for approximately 63% of the Group's revenue and the largest customer accounted for approximately 22% of the Group's revenue. The 5 largest suppliers of the Group accounted for 68% of the Group's purchases and the largest supplier accounted for approximately 26% 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.

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

To determine the eligibility of the Shareholders to attend the annual general meeting to be held on 30 September 2021, the register of members will be closed from 27 September 2021 to 30 September 2021, both days inclusive, during which no transfer of Shares of the Company will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 24 September 2021.

## EVENTS AFTER THE REPORTING PERIOD

### Placing of New Shares under 2020 General Mandate

On 5 May 2021, the Company and Guotai Junan Securities (Hong Kong) Limited (as the placing agent) entered into a placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 21,000,000 ordinary shares to the placees at the placing price of HK$3.69 per Share. On 5 May 2021 (being the date of entering into of the placing agreement), the closing price per Share as quoted on the Stock Exchange was HK$4.30.

On 13 May 2021, all the 21,000,000 placing shares have been successfully placed by the placing agent to not less than six placees at the placing price of HK$3.69 per placing share pursuant to the terms and conditions of the placing agreement. The aggregate nominal value of the placing shares was HK$210,000. Those placees, together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert and not connected with the Company or its connected persons. None of the placees has become a substantial Shareholder upon completion of the placing.

The gross proceeds and net proceeds (after deducting the commission payable to the placing agent, professional fee and other related costs and expenses in relation to the placing) from the placing are approximately HK$77,500,000 and approximately HK$75,900,000 (equivalent to approximately RMB63,100,000), respectively. The net placing price after deducting related expenses is approximately HK$3.61 per Share. The Group intends to apply the net proceeds as follows:

(i) approximately 90%, or HK$68,300,000 (equivalent to approximately RMB56,800,000) will be used to invest in its 5G products and systems, for example, purchase of raw materials, research and development and marketing; and

(ii) approximately 10%, or HK$7,600,000 (equivalent to approximately RMB6,300,000) will be used to provide funding for its working capital and other general corporate purposes.

As disclosed in the Company's announcements dated 23 October 2019, 19 November 2019, 15 June 2020, 30 June 2020, 17 July 2020, 25 August 2020, 23 September 2020 and 24 March 2021, the Group has been actively expanding its business in 5G products and systems. The placing is being undertaken to supplement the Group's long-term funding of its business expansion and development plan, including in the 5G services market.

The Directors consider that the placing will also provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

The Directors consider that the terms of each of the placing (including the placing price and the placing commission) are fair and reasonable under the current market conditions and are in the interest of the Company and Shareholders as a whole.

Further details are set out in this annual report for the Year and the announcements of the Company dated 5 May 2021 and 13 May 2021.

### Change of Auditor

On 8 June 2021, Deloitte Touche Tohmatsu resigned as the auditor of the Company, and KTC Partners CPA Limited was appointed as the auditor of the Company on the same day. Further details are set out in the announcement of the Company dated 8 June 2021.

## EVENTS AFTER THE REPORTING PERIOD (Continued)

### Entering into Strategic Cooperation Framework Agreement with Alba Culture and Sports Development

On 22 June 2021, in view of the professional team capabilities and abundant resource advantages of IBO Communication and Alba Culture and Sports Development in their respective industry and in order to optimise and share resources, the parties have entered into a strategic cooperation framework agreement to establish an amicable and stable strategic cooperation relationship.

Alba Culture and Sports Development and its affiliated companies manage and cooperate over 6,600 e-sports stadiums and over 2,000 e-sports hotels across the country. IBO Communication is responsible for coordinating the resources of the operators to provide telecommunications value-added services such as 5G signal coverage, optical fibre leased lines, edge computing, edge storage and network acceleration. IBO Communication is responsible for liaising with the operators for the coverage of 5G signals in the above project scenarios of Alba Culture and Sports Development, while Alba Culture and Sports Development provides support and assists IBO Communication in its cooperation with the operators.

By fully leveraging on their respective resource advantages, the parties will cooperate in areas such as e-sports and peripheral industries, cloud-based education and smart cultural tourism to realise the industrial application of 5G technology in business scenarios such as pan-entertainment and e-sports, so as to meet the needs of users for 5G.

Further details are set out in the announcement of the Company dated 22 June 2021.

## FINANCIAL SUMMARY

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

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Dr. He Tianxiang, Dr. Wong Kwok Yan and Mr. Hung Muk Ming. The Company's audited consolidated financial statements and annual results for the Year have been reviewed by the Audit Committee, the members of which have met the auditors of the Company, KTC Partners CPA Limited, for the review of the Group's results for the Year.

The Audit Committee has reviewed the Company's audited consolidated financial statements for the Year 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 with the management of the Group.

## AUDITOR

The consolidated financial statements for the years ended 31 March 2019 and 2020 were audited by Deloitte Touche Tohmatsu. On 8 June 2021, Deloitte Touche Tohmatsu resigned as the auditor of the Company, and KTC Partners CPA Limited was appointed as the auditor of the Company on the same day, to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting of the Company. KTC Partners CPA Limited will retire and be willing to be reappointed as the Company's auditor at the forthcoming annual general meeting. Further details are set out in the announcement of the Company dated 8 June 2021.

On behalf of the Board

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

Hong Kong, 30 June 2021

# 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 the Company's Code on terms no less exacting than the required standard set out in the Model Code. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code for the Year.

## BOARD OF DIRECTORS

### Board Composition

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

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

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

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

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

## BOARD OF DIRECTORS (Continued)

### Chairman and Chief Executive Officer

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

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

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

### Independent Non-executive Directors

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

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

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

### Appointment and Re-election of Directors

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

The Articles of Association provides that the Directors shall be entitled to appoint any person as a Director either to fill a casual vacancy of the Board or as an addition to the existing Board from time to time and at any time. Any Director appointed by Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting, and any Director appointed by Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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. Liang Jun *(Deputy Chairman) (Note 1)* | ✓ | ✓ |
| Mr. Gao Weilong *(Chief Executive Officer)* | ✓ | ✓ |
| Ms. Cheng Yan *(Vice Chairperson) (Note 2)* | ✓ | ✓ |
| Mr. Teng Feng | ✓ | ✓ |
| Mr. Yu Kin Keung | ✓ | ✓ |
| Mr. Lyu Huiheng *(Note 3)* | ✓ | ✓ |
| **Non-Executive Director** | | |
| Ms. Sun Qing *(Note 4)* | ✓ | ✓ |
| **Independent Non-executive Directors** | | |
| Dr. He Tianxiang | ✓ | ✓ |
| Dr. Wong Kwok Yan | ✓ | ✓ |
| Mr. Hung Muk Ming | ✓ | ✓ |

*Note:*

1. Appointed since 23 March 2021
2. Resigned on 25 May 2020
3. Resigned on 23 March 2021
4. Appointed since 23 July 2020, and resigned on 10 February 2021

## BOARD OF DIRECTORS (Continued)

### 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.

During the Year, the Board held 13 meetings and the principal businesses transacted include:

- Approving the financial results and reports for the year ended 31 March 2020;
- 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 2020;
- Reviewing and determining the annual remuneration packages for the Company's Directors;
- Approving Ms. Cheng's resignation as executive Director and vice chairman of the Company as she would like to start her own business;
- Approving the cancellation of the share options that have been granted to but have not been exercised by Ms. Cheng;
- Approving the borrowing of HK$3 million from a finance company;
- Approving goodwill and impairment losses on equity in associates for the year ended 31 March2020;
- Appointing Ms. Sun as a non-executive Director;
- Approving the execution of the first, second and third supplementary subscription agreements with Shine Well;
- Approving the allotment and issuance of consideration shares to Wisdom Galore;
- Approving the allotment and issuance of subscription shares to Shine Well;
- Approving Ms. Sun's resignation as a non-executive Director as she would like to devote more time to another listed company;
- Approving Mr. Lyu's resignation as an executive Director as he would like to devote more time to his personal career; and
- Appointing Mr. Liang as an executive Director and determining his annual remuneration package.

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.

### Audit Committee

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

The duties of the Audit Committee shall be:

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

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

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

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

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

The major works performed are as follows:

- Reviewing and recommending the Board to approve the interim report for the six months ended 30 September 2020;
- Reviewing and recommending the Board to approve the financial results and reports for the year ended 31 March 2020;
- Making recommendations to the Board on the re-appointment of external auditor for the year ended 31 March 2021;
- Reviewing certain aspects of the internal control systems of the Group;
- Recommending the Board to approve the adoption of risk management policy; and
- Assisting the Board in meeting its responsibilities for evaluating, establishing and maintaining effective risk management and internal control systems of the Group.

The Group's annual results for the year ended 31 March 2021 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, two Remuneration Committee meetings were held and all the members of the Remuneration Committee were present at the meeting and the major works performed are as follows:

- Reviewing and making recommendations to the Board on the remuneration of independent non-executive Directors with reference to the time and efforts involved in discharging their duties and the prevailing market conditions;
- Reviewing and making recommendations to the Board on the annual remuneration packages for executive Directors; and
- Making Recommendation to the Board on Mr. Liang's annual remuneration package as the executive Director .

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 | 14 |
| HK$1,000,001–HK$1,500,000 | 3 |
| HK$1,500,001–HK$5,000,000 | 1 |
| HK$5,000,001–HK$10,000,000 | 1 |
| HK$10,000,001–HK$15,000,000 | – |

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 of the Board and the chief executive officer of the Company.

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

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

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

- Reviewing the structure, size and composition of the Board;
- Assessing the independence of the independent non-executive Directors;
- Reviewing and making recommendations to the Board on the re-appointment of Directors who are subject to retirement from office by rotation at the forthcoming annual general meeting of the Company;
- Making recommendation to the Board on the appointment of Ms. Sun as a non-executive Director; and
- Making recommendation to the Board on the appointment of Mr. Liang as an executive Director.

## POLICY FOR THE NOMINATION OF DIRECTORS

### 1. Nomination Criteria

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

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

### 2. Procedure for Nomination

#### 2.1 Appointment of New Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## BOARD DIVERSITY POLICY

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

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

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

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

| | Attended/Eligible to attend | | | | |
|---|---|---|---|---|---|
| **Name of Directors** | **Board Meeting** | **Audit Committee meeting** | **Remuneration Committee Meeting** | **Nomination Committee Meeting** | **Annual General Meeting** |
| **Number of meetings held** | 13 | 2 | 2 | 3 | 1 |
| **Executive Directors** | | | | | |
| Mr. Lai Tse Ming *(Chairman)* | 13/13 | – | – | 3/3 | 1/1 |
| Mr. Liang Jun *(Deputy Chairman) (Note 1)* | 0/0 | – | – | – | 0/0 |
| Mr. Gao Weilong *(Chief Executive Officer)* | 13/13 | – | 2/2 | – | 1/1 |
| Ms. Cheng Yan *(Vice Chairperson) (Note 2)* | 0/0 | – | – | – | 0/0 |
| Mr. Teng Feng | 13/13 | – | – | – | 1/1 |
| Mr. Yu Kin Keung | 13/13 | – | – | – | 1/1 |
| Mr. Lyu Huiheng *(Note 3)* | 12/12 | – | – | – | 1/1 |
| **Non-Executive Director** | | | | | |
| Ms. Sun Qing *(Note 4)* | 6/6 | – | – | – | 1/1 |
| **Independent Non-executive Directors** | | | | | |
| Dr. He Tianxiang | 13/13 | 2/2 | 2/2 | – | 1/1 |
| Dr. Wong Kwok Yan | 13/13 | 2/2 | 2/2 | 3/3 | 1/1 |
| Mr. Hung Muk Ming | 13/13 | 2/2 | – | 3/3 | 1/1 |

*Note*:

1. Appointed on 23 March 2021
2. Resigned on 25 May 2020
3. Resigned on 23 March 2021
4. Appointed since 23 July 2020, and resigned on 10 February 2021

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Group has also formulated and adopted risk management policy in providing effective policies and procedures on identifying, evaluating and managing significant risks. At least on an annual basis, the senior management identifies risks that would 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 and designated for those risks considered to be significant.

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

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

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

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

The Group complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. The Group will ensure such information will be kept confidential before it is fully announced to the public. If the Group considers that the confidentiality required cannot be kept, or such information may have leaked already, such information will be disclosed to the public immediately. The Group is also committed to ensure that the information contained in the announcement shall not be deceptive or misleading in certain material aspects, or there are no material matters the omission of which would make the information contained therein to be deceptive or misleading, such that the inside information disclosed can be made available to the public in an equal, timely and effective manner.

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

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

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

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

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

## AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, KTC Partners CPA Limited, in respect of audit and non-audit services provided to the Group during the Year was analysed below:

| Services Category | Fees paid/payable<br>RMB |
|---|---|
| Audit services | |
| — audit services on financial statements and preliminary review of annual results announcement for the year ended 31 March 2021 | 1,690,400 |
| Non-audit services | |
| — performing the agreed-upon procedures in accordance with "Hong Kong Standard on Related Services 4400" issued by the Hong Kong Institute of Certified Public Accountants | 84,520 |
| | 1,774,920 |

## COMPANY SECRETARY

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

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

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

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

## SHAREHOLDERS' RIGHTS

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

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

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

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

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

### Dividend Policy

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

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

(i) the Group's financial performance;

(ii) the Group's financial position;

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

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

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

## SHAREHOLDERS' RIGHTS (Continued)

### Dividend Policy (Continued)

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

### Putting Forward Enquiries to the Board

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

## CONSTITUTIONAL DOCUMENTS

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

## COMMUNICATION WITH SHAREHOLDERS

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

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

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

KTC Partners CPA Limited
*Certified Public Accountants (Practising)*
和信會計師事務所有限公司

**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 110 to 207, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessments of goodwill and intangible assets with indefinite useful life** | |
| We identified the impairment assessments of goodwill and intangible assets with indefinite useful life as a key audit matter due to significant judgements and estimates involved in the assessment process by the management of the Group.<br><br>As disclosed in notes 19 and 20 to the consolidated financial statements, the Group had a goodwill and intangible assets with indefinite useful life of approximately RMB23,632,000 (net of accumulated impairment loss of approximately RMB20,525,000) and RMB21,300,000 respectively as at 31 March 2021 relating to the acquisition of system integration business and software development business in 2019.<br><br>For the purpose of assessing impairment of goodwill and intangible assets with indefinite useful life at 31 March 2021, recoverable amounts of cash-generating units to which the goodwill and intangible assets have been allocated have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to the management's expectations for the market development, where the key assumptions and estimates included the growth rates and discount rate used in the value in use calculation, as detailed in note 21 to the consolidated financial statements. The Group engages an independent qualified valuer ("**the Valuer**") to assist the estimation. The financial team of the Group works closely with the Valuer to establish the appropriate estimation model and inputs to the model.<br><br>Based on the management's assessment, no impairment loss in relation to goodwill and intangible assets have been recognised for the year ended 31 March 2021. | Our procedures in relation to the impairment assessments of goodwill and intangible assets with indefinite useful life included:<br><br>• Discussing with the Group's management to understand the key estimations made by the Group's management in the impairment assessment of goodwill and indefinite intangible assets;<br><br>• Evaluating the competency, capabilities and objectivity of the Valuer;<br><br>• Involving our engaged independent external valuation expert to review the valuation report provided by the Valuer on the discount rate adopted and evaluating its reasonableness;<br><br>• Assessing the appropriateness of the key assumptions adopted in the discounted cash flows for impairment assessments, by challenging management's expectation for the market development;<br><br>• Testing source data on a sample basis to supporting evidence, such as approved budgets and available market data; and<br><br>• Reviewing the sensitivity analyses performed by the management to evaluate the potential impacts on the recoverable amount and impairment. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of trade receivables** | |
| We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECL**") of the Group's trade receivables at the end of the reporting period.<br><br>As at 31 March 2021, the Group's net trade receivables amounting to, approximately RMB528,461,000, which represented approximately 56% of the total assets of the Group.<br><br>As disclosed in notes 4 and 39(b) to the consolidated financial statements, trade receivables are assessed individually for impairment allowance based on the historical observed default rates of the debtors taking into consideration of current and forward-looking information that is reasonable, supportable and available without undue costs or effort.<br><br>Credit loss allowance amounting to approximately RMB13,145,000 was recognised at 31 March 2021. Details of the ECL are set out in note 39(b) to the consolidated financial statements. | Our procedures in relation to impairment assessment of trade receivables included:<br><br>• Understanding how the management estimates the ECL allowance for trade receivables by applying the ECL model;<br><br>• Testing the integrity of information used by management to develop the individual assessment, including trade receivables aging analysis as at 31 March 2021, on a sample basis, by comparing individual items in the analysis with the relevant sales contracts, sales invoices and other supporting documents;<br><br>• Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 March 2021, 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; and<br><br>• Engaging an independent external expert to assist us in assessing the ECL model and evaluating the reasonableness of the credit loss allowance for trade receivables. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of derivative component of convertible bonds** | |
| We identified valuation of derivative component of convertible bonds as a key audit matter due to significant judgements and estimates involved in the assessment process by the management of the Group.<br><br>As at 31 March 2021, the fair value of the derivative component of the convertible bonds amounted to approximately RMB27,446,000. As disclosed in notes 4 and 34 to the consolidated financial statements, the derivative component of the convertible bonds were initially and subsequently measured at fair values. The fair values were determined based on unobservable inputs using valuation technique. The Group engaged the Valuer to assist with the estimation using the Binomial Option Pricing model. The key inputs used in the Binomial Option Pricing model include underlying share price, conversion price, coupon rate, expected volatility, expected dividend yield, time to maturity, discount rate and risk-free rate and the valuation is sensitive to the expected volatility of share price. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs.<br><br>Based on management's assessment, a fair value loss on the derivative component of the convertible bonds of approximately RMB18,757,000 has been recognised in profit or loss for the year ended 31 March 2021. | Our procedures in relation to valuation of convertible bonds included:<br><br>• Assessing the competency, capabilities and objectivity of the Valuer;<br><br>• Obtaining an understanding from the management and the Valuer about the valuation methodology and key inputs adopted in the valuations of the derivative component of these convertible bonds;<br><br>• Involving our engaged independent external valuation expert to assess the appropriateness and reasonableness of the valuation methodology and key inputs used in the fair value measurement of the derivative component of these convertible bonds; and<br><br>• Assessing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value measurement of the derivative component of convertible bonds. |

## OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

- 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, actions taken to eliminate threats or safeguards applied.

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.

**KTC Partners CPA Limited**
*Certified Public Accountants (Practising)*
**Chow Yiu Wah, Joseph**
*Audit Engagement Director*
Practising Certificate Number P04686
Hong Kong, 30 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **560,325** | 487,756 |
| Cost of sales and services rendered | | **(444,308)** | (374,453) |
| Gross profit | | **116,017** | 113,303 |
| Other income | 6 | **4,832** | 4,514 |
| Other gains (losses), net | 7 | **(33,987)** | (56,214) |
| Share of results of an associate | | **120** | (226) |
| Impairment losses under expected credit loss model, net of reversal | 8 | **(13,174)** | (7,814) |
| Distribution and selling expenses | | **(7,295)** | (5,543) |
| Administrative expenses | | **(50,956)** | (71,879) |
| Finance costs | 9 | **(16,189)** | (10,353) |
| Research and development expenses | | **(13,935)** | (3,856) |
| Loss before taxation | | **(14,567)** | (38,068) |
| Income tax expense | 10 | **(12,955)** | (12,072) |
| Loss and total comprehensive expense for the year | 11 | **(27,522)** | (50,140) |
| (Loss) profit and total comprehensive (expense) income for the year attributable to | | | |
| — Owners of the Company | | **(42,097)** | (52,955) |
| — Non-controlling interests | | **14,575** | 2,815 |
| | | **(27,522)** | (50,140) |
| Loss per share | | | |
| — Basic (RMB cents) | 15 | **(9.81)** | (12.87) |
| — Diluted (RMB cents) | | **(9.81)** | (12.87) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *16* | **5,405** | 8,684 |
| Right-of-use assets | *17* | **1,337** | 8,696 |
| Investment properties | *18* | **20,200** | 20,100 |
| Goodwill | *19* | **23,632** | 23,632 |
| Intangible assets | *20* | **45,077** | 60,078 |
| Interest in an associate | *22* | **5,507** | 7,780 |
| Rental deposits | | **722** | 1,101 |
| Deferred tax assets | *36* | **4,571** | 2,034 |
| | | **106,451** | 132,105 |
| **Current assets** | | | |
| Inventories | *23* | **1,779** | 675 |
| Trade and other receivables | *24* | **573,390** | 410,628 |
| Contract assets | *25* | **17,666** | 11,740 |
| Amount due from a related company | *26* | **248** | 243 |
| Amounts due from non-controlling interests | *26* | **814** | 1,704 |
| Financial assets at fair value through profit or loss | *27* | **8,252** | 1,392 |
| Pledged bank deposits | *28* | **6,000** | 2,191 |
| Bank balances and cash | *28* | **232,158** | 69,178 |
| | | **840,307** | 497,751 |
| **Current liabilities** | | | |
| Trade and other payables | *29* | **317,725** | 100,362 |
| Lease liabilities | *30* | **1,248** | 5,222 |
| Amounts due to non-controlling interests | *26* | **10,299** | 9,869 |
| Tax payables | | **33,491** | 26,531 |
| Bank and other borrowings | *31* | **32,707** | 19,844 |
| Consideration payable | *32* | **33,456** | 16,399 |
| Bonds payables | *33* | **39,586** | 35,538 |
| | | **468,512** | 213,765 |
| **Net current assets** | | **371,795** | 283,986 |
| **Total assets less current liabilities** | | **478,246** | 416,091 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank and other borrowings | *31* | **2,430** | 1,210 |
| Consideration payable | *32* | **–** | 16,399 |
| Bonds payables | *33* | **29,727** | 31,101 |
| Convertible bonds | *34* | **44,787** | 58,245 |
| Lease liabilities | *30* | **176** | 3,685 |
| Deferred tax liabilities | *36* | **23,104** | 22,731 |
| | | **100,224** | 133,371 |
| | | **378,022** | 282,720 |
| **Capital and reserves** | | | |
| Share capital | *35* | **4,103** | 3,467 |
| Reserves | | **326,327** | 246,236 |
| Equity attributable to owners of the Company | | **330,430** | 249,703 |
| Non-controlling interests | | **47,592** | 33,017 |
| **Total Equity** | | **378,022** | 282,720 |

The consolidated financial statements on pages 110 to 207 were approved and authorised for issue by the board of directors on 30 June 2021 and are signed on its behalf by:

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

| | 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 2019 | 3,349 | 158,165 | (43,325) | 14,668 | 19,998 | 108,644 | 261,499 | 30,202 | 291,701 |
| (Loss) profit and total comprehensive (expense) income for the year | – | – | – | – | – | (52,955) | (52,955) | 2,815 | (50,140) |
| Issuance of shares related to acquisition in previous year *(note 32)* | 99 | 15,621 | – | – | – | – | 15,720 | – | 15,720 |
| Issuance of shares upon conversion of convertible bonds *(note 34)* | 19 | 4,538 | – | – | – | – | 4,557 | – | 4,557 |
| Recognition of equity-settled share based payments | – | – | – | 20,882 | – | – | 20,882 | – | 20,882 |
| Transfer | – | – | – | – | 8,214 | (8,214) | – | – | – |
| At 31 March 2020 | 3,467 | 178,324 | (43,325) | 35,550 | 28,212 | 47,475 | 249,703 | 33,017 | 282,720 |
| (Loss) profit and total comprehensive (expense) income for the year | – | – | – | – | – | (42,097) | (42,097) | 14,575 | (27,522) |
| Issuance of shares under Specific Mandate *(note 35)* | 417 | 62,171 | – | – | – | – | 62,588 | – | 62,588 |
| Issuance of shares related to acquisition in previous year *(note 32)* | 69 | 15,906 | – | – | – | – | 15,975 | – | 15,975 |
| Issuance of shares upon conversion of convertible bonds *(note 34)* | 150 | 39,618 | – | – | – | – | 39,768 | – | 39,768 |
| Recognition of equity-settled share based payments | – | – | – | 4,493 | – | – | 4,493 | – | 4,493 |
| Cancellation of share options | – | – | – | (6,434) | – | 6,434 | – | – | – |
| Transfer | – | – | – | – | 7,684 | (7,684) | – | – | – |
| At 31 March 2021 | 4,103 | 296,019 | (43,325) | 33,609 | 35,896 | 4,128 | 330,430 | 47,592 | 378,022 |

*Notes:*

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before taxation | (14,567) | (38,068) |
| Adjustments for: | | |
| Share of loss of an associate | (120) | 226 |
| Share-based payment expenses | 4,493 | 20,882 |
| Finance costs | 16,189 | 10,353 |
| Interest income | – | (82) |
| Depreciation of property, plant and equipment | 2,877 | 2,685 |
| Impairment loss recognised on goodwill | – | 20,525 |
| Impairment loss recognised on interest in an associate | 2,393 | 14,464 |
| Impairment losses under expected credit loss model, net of reversal | 13,174 | 7,814 |
| Amortisation of intangible assets | 19,688 | 13,879 |
| Depreciation of right-of-use assets | 5,413 | 2,988 |
| (Gain) loss on change in fair value of investment properties | (100) | 400 |
| (Gain) loss on change in fair value of financial assets at FVTPL | (1,561) | 527 |
| Loss on change in fair value of consideration payables | 16,633 | 3,994 |
| Loss on change in fair value of convertible bonds | 18,757 | 4,637 |
| Loss on disposal of financial assets at FVTPL | 19 | – |
| Loss on disposal of property, plant and equipment | 249 | – |
| Recognition of deferred loss from initial recognition of convertible bonds | 9,381 | 6,289 |
| Transaction costs related to issuance of convertible bonds | | |
| — derivative component | – | 313 |
| Unrealised exchange (gain) loss | (8,493) | 6,073 |
| Operating cash flows before movements in working capital | 84,425 | 77,899 |
| (Increase) decrease in inventories | (1,104) | 51,222 |
| Increase in trade and other receivables | (175,899) | (177,448) |
| (Increase) decrease in contract assets | (5,965) | 467 |
| Increase in trade and other payables | 216,927 | 25,643 |
| Cash generated from (used in) operations | 118,384 | (22,217) |
| Income tax paid | (8,159) | (4,716) |
| **NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES** | 110,225 | (26,933) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Acquisition of an associate | – | (22,470) |
| Purchase of property, plant and equipment | (209) | (3,057) |
| Purchase of intangible assets | (4,687) | (6,795) |
| Refund (Payments) for rental deposits | 381 | (717) |
| Additional of financial assets at FVTPL | (6,691) | – |
| Proceeds from disposal of financial assets at FVTPL | 1,373 | 6,334 |
| Advance to a related company | – | (243) |
| Advances to non-controlling interests | (2,368) | (2,154) |
| Repayment from non-controlling interest | 3,253 | 647 |
| Repayment from a related company | – | 38 |
| Proceeds from disposal of property, plant and equipment | 362 | – |
| Interest received | – | 82 |
| Placement of pledged bank deposit | (3,809) | (2,191) |
| **NET CASH USED IN INVESTING ACTIVITIES** | (12,395) | (30,526) |
| **FINANCING ACTIVITIES** | | |
| Repayments of bank borrowings | (19,844) | (34,468) |
| Repayment of lease liabilities | (5,733) | (2,788) |
| Interest paid | (7,541) | (4,374) |
| Repayment of bonds | (37,462) | – |
| Payments of commissions for issuance of bonds | (4,086) | (4,081) |
| Proceeds from issue of convertible bonds payable | – | 46,612 |
| Payment of transaction costs for issue of convertible bonds | – | (1,165) |
| Proceeds from bank and other borrowings | 33,927 | 29,890 |
| Advances from non-controlling interests | 1,070 | 579 |
| Repayments to non-controlling interests | (640) | (4,391) |
| Proceeds from issue of shares | 62,588 | – |
| Proceeds from issuance of bonds | 42,871 | 39,139 |
| **NET CASH FROM FINANCING ACTIVITIES** | 65,150 | 64,953 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 162,980 | 7,494 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 69,178 | 61,684 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** represented by bank balances and cash | 232,158 | 69,178 |

## 1. GENERAL AND BASIS OF PRESENTATION

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

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

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

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

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19 Related Rent Concessions.

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

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

### Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

### Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

### Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group.

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

### Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 April 2021.

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

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1] |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020[2] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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

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

### Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform — Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform — Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

### Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 March 2021.

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

### Amendments to HKAS 16 *Property, Plant and Equipment — Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### Amendments to HKAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### Amendments to HKFRSs *Annual Improvements to HKFRSs 2018–2020*

The annual improvements make amendments to the following standards.

**HKFRS 9 *Financial Instruments***
The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

**HKFRS 16 *Leases***
The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

**HKAS 41 *Agriculture***
The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

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

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

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

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

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

### Interest in an associate

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interest in an associate (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### Revenue from contracts with customers

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

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

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

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

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

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

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

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

*Output method*

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

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (system maintenance service contracts in which the Group bills a fixed amount for each month of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

*Input method*

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

**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 of smart cities 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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

**Revenue recognition on performance obligations for contracts with customers** (Continued)
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.

**Principal versus agent**
When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

### Leases

**Definition of a lease**
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee**
*Short-term leases*
The Group applies the short-term lease recognition exemption to leases of staff dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

*Right-of-use assets*
The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**The Group as a lessee** (Continued)

*Right-of-use assets (Continued)*

Except for these that are classified as investment properties, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modifications*

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**COVID-19-related rent concessions**

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

**The Group as lessor**

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

*Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

*Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### Foreign currencies

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

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

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

### Government grants

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

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

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

### Retirement benefits costs

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

### Short-term employee benefits

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

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

### Share-based payments

**Equity-settled share-based payment transactions**

*Share options granted to employees*

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

**Equity-settled share-based payment transactions** (Continued)

*Share options granted to employees (Continued)*

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

*Share options granted to service providers*

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

### Taxation

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

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

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

### Property, plant and equipment

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

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

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

### Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets

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

**Internally-generated intangible assets — research and development expenditure**
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

### Intangible assets acquired in a business combination

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

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

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of CGUs.

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

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

### Financial instruments

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

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

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

**Financial assets**

*Classification and subsequent measurement of financial assets*

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

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Classification and subsequent measurement of financial assets (Continued)*

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

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

*Impairment of financial assets and contract assets*

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from a related company and non-controlling interests, refundable rental deposits, pledged bank deposits and bank balances and cash) and other items (representing contract assets) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets and contract assets (Continued)*

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets and contract assets (Continued)*

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets and contract assets (Continued)*

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

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**

*Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at FVTPL*

Financial liabilities classified as at FVTPL represent the consideration payable and the derivative portion of convertible bonds that may be paid by the Group as part of a business combination to which HKFRS 3 applies.

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, bonds payables, liability component of convertible bonds, amounts due to non-controlling interests and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Convertible bonds**

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

At the date of issue, both the debt component and derivative components are recognised at fair value. When the fair value of the convertible bonds at initial recognition differs from the transaction price, the resulting gain or loss on initial recognition (i.e. Day-1 gain or loss) is recognised immediately in profit or loss if the fair value of the convertible bonds is evidenced by Level 1 inputs or is determined based on a valuation technique that uses only data from observable markets. In all other circumstances, in particular, with regard to the Day-1 loss recognised on the convertible bonds issued by the Group, the Day-1 loss is deferred and the amount is recognised in profit or loss to reflect the reduction in the time value of the conversion option based on how market participants would consider it when pricing the convertible bonds.

The deferred Day-1 gain or loss is recognised as an adjustment to the initial carrying amount of the convertible bonds.

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

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

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Deferred taxation on investment properties**

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. As a result, the management of the Group has determined that the presumption that investment properties measured using the fair values model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

### Principal versus agent consideration

The Group engages in the sales of intelligent terminal products. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 March 2021, the Group recognised revenue relating to sales of intelligent terminal products amounted to RMB402,029,000 (2020: RMB405,130,000).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Impairment assessments of goodwill and intangible assets with indefinite useful life**

Determining whether goodwill and intangible assets with indefinite useful life are impaired requires an estimation of the recoverable amounts of the CGUs to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a further impairment loss may arise.

As at 31 March 2021, the carrying amounts of goodwill and intangible assets with indefinite useful life were approximately RMB23,632,000 (2020: RMB23,632,000) and approximately RMB21,300,000 (2020: RMB21,300,000) respectively. During the year ended 31 March 2021, no impairment loss on goodwill was recognised (2020: impairment loss of approximately RMB20,525,000). Details of the recoverable amount calculation are set out in note 21.

**Provision of ECL for trade receivables**

The management of the Group calculates ECL on trade receivables individually. The loss rates applied are estimated using the historical observed default rates of the debtors taking into consideration of forward-looking information that is reasonable, supportable and available without undue costs or effort. At the end of the reporting period, these historical loss rates are reassessed and updated after considering current and forward-looking information that is available to the directors of the Company. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 39 and 24. The carrying amount of the Group's trade receivables amounted to approximately RMB528,461,000 (2020: RMB329,068,000).

**Fair value measurement of derivative component of convertible bonds**

The convertible bonds issued by the Company are not traded in an active market. The derivative components of the convertible bonds are subsequently measured at fair values. As at 31 March 2021, the derivative component of convertible bonds amounted to approximately RMB27,446,000 (2020: RMB22,853,000). The fair values were determined based on unobservable inputs using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in key inputs could affect the reported values of the derivative component of the convertible bonds. Further disclosures of the convertible bonds are set out in note 34 and the key inputs adopted are set out in note 39.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

**Impairment assessment of an associate**

As at 31 March 2021 and 2020, in view of the continuous impact caused by the outbreak of a novel coronavirus ("**COVID-19**") in the PRC and in the rest of the world, the Group performed impairment assessment on the associate. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the associate to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment, which in turn depends on the cash flows from the underlying education business of the associate. This requires the management of the Group to make certain assumptions, including a discount rate which reflects the risk of the associate and the underlying business's sales growth rates, taking into account the fact that the education institutions in PRC had to suspend the business operation to cater for the local government's regulations, which caused the suspension of business expansion and significant drop in budgeted revenue of the associate. In cases where the actual cash flows are less or more than expected resulting in a revision of the future cash flows estimation, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 March 2021, the carrying amount of the associate amounted to approximately RMB5,507,000 (2020: RMB7,780,000) after taking into account the impairment of approximately RMB2,393,000 (2020: RMB14,464,000) recognised in profit or loss during the year.

## 5. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue from contracts with customers

**Types of goods or services**

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Intelligent terminal products sales | **402,029** | 405,130 |
| Provision of coordination, management and installation services of smart cities | **100,974** | 9,986 |
| Software development | **45,492** | 63,297 |
| System maintenance services | **11,830** | 9,343 |
| Total revenue from contracts with customers | **560,325** | 487,756 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (i) Disaggregation of revenue from contracts with customers (Continued)

**Timing of revenue recognition**

**2021**

| | 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 | 402,029 | – | – | – | 402,029 |
| Over time | – | 100,974 | 45,492 | 11,830 | 158,296 |
| | 402,029 | 100,974 | 45,492 | 11,830 | 560,325 |

2020

| | Intelligent terminal products sales RMB'000 | Provision of coordination, management and installation services of smart cities RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| A point in time | 405,130 | – | – | – | 405,130 |
| Over time | – | 9,986 | 63,297 | 9,343 | 82,626 |
| | 405,130 | 9,986 | 63,297 | 9,343 | 487,756 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (i) Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from types of goods or services with the amounts disclosed in the segment information.

**For the year ended 31 March 2021**

| | 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 | 402,004 | – | – | – | 402,004 |
| System integration | 25 | 100,974 | – | – | 100,999 |
| Software development | – | – | 45,492 | – | 45,492 |
| System maintenance services | – | – | – | 11,830 | 11,830 |
| | 402,029 | 100,974 | 45,492 | 11,830 | 560,325 |

**For the year ended 31 March 2020**

| | Types of goods or services | | | | |
|---|---|---|---|---|---|
| | Intelligent terminal products sales RMB'000 | Provision of coordination, management and installation services of smart cities RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
| **Operating segments** | | | | | |
| Intelligent terminal products sales | 401,223 | – | – | – | 401,223 |
| System integration | 3,907 | 9,986 | – | – | 13,893 |
| Software development | – | – | 63,297 | – | 63,297 |
| System maintenance services | – | – | – | 9,343 | 9,343 |
| | 405,130 | 9,986 | 63,297 | 9,343 | 487,756 |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (ii) Performance obligations for contracts with customers

**Intelligent terminal products sales (revenue recognised at a point in time)**

The Group sells the intelligent terminal products, such as RFID equipment and electronic products, directly to its customers. The revenue from intelligent terminal products sales is recognised at a point of time when the products are accepted by the customer, at which point in time control is 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 and no significant sale return was noted based on historical records for the current and previous financial years. Therefore the Group estimated there are no significant provision regarding warranty and sale return.

For sales of products in system integration segment, the Group considers the control of products transferred when customers have checked and accepted the products and the performance obligation is satisfied at which the control is transferred. The revenue from product sales in system integration segment is recognised at a point in time. The normal credit term is within 270 days upon acceptance by customers. No significant sale return was noted based on historical records for the current and previous financial years and therefore the Group estimated there are no significant provision regarding warranty and sale return.

**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 270 days upon completion of services. In general, the Group provides not more than 1 year assurance type warranty to its customers.

**Software development (revenue recognised over time)**

The Group develops customised software to its customers according to customer's specific needs and requirements. Therefore, it does not have an alternative use to the Group. As stipulated in the contracts, the Group has the rights to require its customer to pay the performance completed to date if the projects are suspended or cancelled. The revenue from software development is recognised over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The 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 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. The normal credit term is within 180 days upon the completion of software development and the services and products are accepted by customers. In general, the Group provides not more than 1 year assurance type warranty to its customers.

**System maintenance services (revenue recognised over time)**

The Group provides on site system maintenance services. The scope for maintenance contract solely includes maintenance work for a fixed period. The revenue from provision of system maintenance services is recognised over time as the customer simultaneously receives and consumes the maintenance services as time elapsed within the service period as the Group performs. Accordingly, revenue is recognised on a straight-line basis during the service period. The customers should settle the trade receivable within 180 days upon the issue of value added tax invoice.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2021 and 31 March 2020 and the expected timing of recognising revenue are as follows:

| | System maintenance services | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Within one year | **136** | 4,910 |
| More than one year but not more than two years | **66** | 67 |
| More than two years but not more than three years | **–** | 28 |
| | **202** | 5,005 |

All intelligent terminal products sales contracts, provision of coordination, management and installation services of smart cities and software development contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

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

The Group's reportable and operating segments currently are as follows:

(i) Intelligent terminal products sales segment — sales of intelligent terminal products;

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

(iii) Software development segment — development of customised softwares; and

(iv) System maintenance services segment — provision of system maintenance services.

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

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

| | Intelligent terminal products sales RMB'000 | System integration RMB'000 | Software development RMB'000 | System maintenance services RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **For the year ended 31 March 2021** | | | | | |
| REVENUE | | | | | |
| External sales | 402,004 | 100,999 | 45,492 | 11,830 | 560,325 |
| SEGMENT PROFIT | 38,365 | 37,518 | 22,238 | 4,722 | 102,843 |
| Other income | | | | | 4,832 |
| Unallocated expenses | | | | | (72,186) |
| Finance costs | | | | | (16,189) |
| Other gains and losses | | | | | (33,987) |
| Share of results of an associate | | | | | 120 |
| Loss before taxation | | | | | (14,567) |

## 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 2020** | | | | | |
| REVENUE | | | | | |
| External sales | 401,223 | 13,893 | 63,297 | 9,343 | 487,756 |
| SEGMENT PROFIT | 63,304 | 5,182 | 34,285 | 2,718 | 105,489 |
| Other income | | | | | 4,514 |
| Unallocated expenses | | | | | (81,278) |
| Finance costs | | | | | (10,353) |
| Other gains and losses | | | | | (56,214) |
| Share of results of an associate | | | | | (226) |
| Loss before taxation | | | | | (38,068) |

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

The CODM makes decisions according to operating results of each segment. Therefore, only segment revenue and segment results are presented.

### Segment assets and liabilities

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

### Geographical information

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

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Information about major customers

Revenue from customers during the year individually contributing over 10% of the Group's revenue is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Customer A[1] | 123,578 | 225,721 |
| Customer B[1] | 117,458 | – |
| Customer C[1] | – | 97,462 |

[1] Revenue from intelligent terminal products sales segment

## 6. OTHER INCOME

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Interest income from bank deposits | 41 | 82 |
| Rental income from investment properties | 580 | 602 |
| Government grants *(note)* | 3,125 | 3,661 |
| Others | 1,086 | 169 |
| | 4,832 | 4,514 |

*Note:* During the year ended 31 March 2021, government grants mainly represented COVID-19-related subsidies amounting to RMB2,381,000 (2020: Nil) and unconditional grants in relation to sale of qualifying technological products granted by the local government to 艾伯資訊(深圳)有限公司 (IBO Information (Shenzhen) Limited) ("**IBO Information**") and 深圳市偉圖科技開發有限公司 (Shenzhen Weitu Technology Development Company Limited) ("**Weitu Technology**") amounting to RMB744,000 (2020: RMB3,661,000).

## 7. OTHER GAINS (LOSSES), NET

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Loss on disposal of property, plant and equipment | **(249)** | – |
| Gain (loss) on change in fair value of investment properties | **100** | (400) |
| Gain (loss) on change in fair value of financial assets at FVTPL | **1,561** | (826) |
| Loss on change in fair value of consideration payables | **(16,633)** | (3,994) |
| Net exchange gain (loss) | **11,620** | (5,196) |
| Recognition of deferred loss from initial recognition of convertible bonds | **(9,381)** | (6,289) |
| Loss on change in fair value of derivative component of the convertible bonds | **(18,757)** | (4,637) |
| Loss on disposal of financial assets at FVTPL | **(19)** | – |
| Impairment loss recognised on goodwill | **–** | (20,525) |
| Impairment loss recognised on interest in an associate | **(2,393)** | (14,464) |
| Others | **164** | 117 |
| | **(33,987)** | (56,214) |

## 8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Net impairment losses (recognised) reversed on: | | |
| — Rental deposits | **2** | (14) |
| — Trade receivables | **(13,145)** | (7,744) |
| — Other receivables | **8** | (48) |
| — Contract assets | **(39)** | (8) |
| | **(13,174)** | (7,814) |

Details of impairment assessment are set out in note 39(b).

## 9. FINANCE COSTS

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Interest on bank borrowings | 2,464 | 1,923 |
| Interest on other borrowings | 366 | – |
| Interest on bonds payables | 10,033 | 5,299 |
| Interest on convertible bonds | 2,701 | 2,749 |
| Interest on lease liabilities | 284 | 382 |
| Other finance costs | 341 | – |
| | 16,189 | 10,353 |

## 10. INCOME TAX EXPENSE

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong | – | – |
| PRC Enterprise Income Tax ("**EIT**") | 15,119 | 14,231 |
| Overprovision of EIT in prior year | – | (297) |
| | 15,119 | 13,934 |
| Deferred tax *(note 36)* | (2,164) | (1,862) |
| | 12,955 | 12,072 |

### Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%.

During the current year, no provision for taxation in Hong Kong has been made as the Group has no assessable profit for the year (2020: Nil).

## 10. INCOME TAX EXPENSE (Continued)

### PRC

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

In December 2019, IBO Information renewed the qualification of High and New Technology Enterprise ("**HNTE**") granted by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality (the "**Shenzhen Local Taxation Administrator**") and Shenzhen Municipal office of the State Administration of Taxation and therefore is entitled to preferential tax rate of 15% up to December 2022 in accordance with the PRC EIT Law.

In December 2019, Weitu Technology was qualified as a HNTE granted by the Shenzhen Local Taxation Administrator and Shenzhen Municipal office of the State Administration of Taxation and is therefore entitled to preferential tax rate of 15% up to December 2022 in accordance with the PRC EIT Law.

Certain subsidiaries other than IBO Information and Weitu Technology located in PRC are qualified with the standard of small and low profit enterprises and are therefore entitled to preferential tax rate of 20%.

No provision for EIT for other subsidiaries have been made as other subsidiaries have no assessable profit for both years.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Loss before taxation | **(14,567)** | (38,068) |
| Tax at the applicable tax rate of 15% | **(2,185)** | (5,710) |
| Tax effect of income not taxable for tax purpose | **(45)** | – |
| Tax effect of expenses not deductible for tax purposes | **13,197** | 15,529 |
| Tax effect of share of results of an associate | **18** | 34 |
| Tax effect of deductible temporary difference not recognised | **–** | 592 |
| Tax effect of tax loss not recognised | **1,082** | 1,045 |
| Additional tax benefit on research and development expenses *(note)* | **(2,933)** | (1,176) |
| Deferred tax on undistributed earnings of PRC subsidiaries | **5,123** | 3,860 |
| Effect of different tax rates of subsidiaries | **(1,302)** | (1,805) |
| Overprovision of EIT in prior year | **–** | (297) |
| | **12,955** | 12,072 |

*Note:* Pursuant to the relevant tax rules and regulations, the Group could obtain additional tax benefit, which is a further 75% of certain qualified research and development expenses incurred endorsed by the Shenzhen Local Taxation Administrator.

## 11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

Loss and total comprehensive expense for the year has been arrived at after charging:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Directors' remuneration: | | |
| — Fees | 3,315 | 3,808 |
| — Salaries and other allowances | 4,147 | 4,852 |
| — Retirement benefit scheme contributions | 54 | 97 |
| — Equity-settled share-based payments | 3,735 | 16,699 |
| Other staff costs: | | |
| — Salaries and other allowances | 26,165 | 23,954 |
| — Retirement benefit scheme contributions | 2,688 | 2,212 |
| — Equity-settled share-based payments | 652 | 3,587 |
| Total staff costs | 40,756 | 55,209 |
| Auditor's remuneration | 4,738 | 3,161 |
| Depreciation of property, plant and equipment | 2,877 | 2,685 |
| Depreciation of right-of-use assets | 5,413 | 2,988 |
| Amortisation of intangible assets (included in cost of sales and services rendered and administrative expenses) | 19,688 | 13,879 |
| Cost of inventories recognised as an expense (included in cost of sales and services rendered) | 423,612 | 374,067 |

## 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 2021** | | | | | |
| Executive directors: | | | | | |
| Mr. Lai | 1,048 | 822 | 16 | 2,489 | 4,375 |
| Mr. Gao Weilong ("**Mr. Gao**") *(note 1)* | 419 | 518 | 9 | 109 | 1,055 |
| Mr. Teng Feng ("**Mr. Teng**") | 419 | 422 | 9 | 109 | 959 |
| Mr. Yu Kin Keung ("**Mr. Yu**") | 315 | 742 | 16 | 109 | 1,182 |
| Mr. Lyu Huiheng ("**Mr. Lyu**") *(note 4)* | 307 | 249 | – | – | 556 |
| Ms. Cheng Yan ("**Ms. Cheng**") *(note 2)* | 275 | 1,379 | 4 | 919 | 2,577 |
| Mr. Liang Jun ("**Mr. Liang**") *(note 5)* | 10 | 15 | – | – | 25 |
| Non-executive director: | | | | | |
| Ms. Sun Qing *(note 3)* | – | – | – | – | – |
| Independent non-executive directors: | | | | | |
| Dr. He Tianxiang | 174 | – | – | – | 174 |
| Dr. Wong Kwok Yan | 174 | – | – | – | 174 |
| Mr. Hung Muk Ming | 174 | – | – | – | 174 |
| Total | 3,315 | 4,147 | 54 | 3,735 | 11,251 |

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Retirement benefit scheme contributions RMB'000 | Equity-settled share-based payments RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2020** | | | | | |
| Executive directors: | | | | | |
| Mr. Lai | 1,069 | 822 | 16 | 9,390 | 11,297 |
| Mr. Gao Weilong ("**Mr. Gao**") *(note 1)* | 427 | 513 | 27 | 598 | 1,565 |
| Mr. Teng Feng ("**Mr. Teng**") | 428 | 416 | 27 | 598 | 1,469 |
| Mr. Yu Kin Keung ("**Mr. Yu**") | 321 | 749 | 16 | 598 | 1,684 |
| Mr. Lyu Huiheng ("**Mr. Lyu**") | 321 | 247 | – | – | 568 |
| Ms. Cheng Yan ("**Ms. Cheng**") *(note 2)* | 702 | 2,105 | 11 | 5,515 | 8,333 |
| Independent non-executive directors: | | | | | |
| Dr. He Tianxiang | 180 | – | – | – | 180 |
| Dr. Wong Kwok Yan | 180 | – | – | – | 180 |
| Mr. Hung Muk Ming | 180 | – | – | – | 180 |
| Total | 3,808 | 4,852 | 97 | 16,699 | 25,456 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

*Notes:*

1. Mr. Gao is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

2. Ms. Cheng was appointed as an executive director and vice chairperson of the Company with effect from 7 August 2019 and resigned with effect from 25 May 2020.

3. Ms. Sun Qing was appointed as a non-executive director with effective from 23 July 2020 and resigned with effect from 10 February 2021.

4. Mr. Lyu resigned as an executive director with effect from 23 March 2021.

5. Mr. Liang was appointed as an executive director with effect from 23 March 2021.

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 and the non-executive director's emoluments shown above were for their services as directors of the Company.

For both years, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 43 to the Group's consolidated financial statements.

Except for the 20,000,000 share options granted to Ms. Cheng as an inducement to join the Group during the year ended 31 March 2020, 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 for the years ended 31 March 2021 and 2020.

None of the directors or the chief executive of the Company waived or agreed to waive any emolument for both years.

## 13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include 5 directors (2020: 5 directors) of the Company, details of whose emoluments are set out in note 12 above.

During the year ended 31 March 2021, 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.

During the year ended 31 March 2020, except for the share options granted to Ms. Cheng, 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 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 15. LOSS PER SHARE

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

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Loss: | | |
| Loss for the purposes of calculating basic and diluted loss per share | **42,097** | 52,955 |

| | **2021**<br>**'000** | 2020<br>'000 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share | **429,082** | 411,590 |

The computation of diluted loss per share for the years ended 31 March 2021 and 2020 does not assume the exercise of the Company's share options, the conversion of the outstanding convertible bonds or the issuance of consideration shares for the acquisition of subsidiaries since their assumed exercise, conversion or issuance would result in a decrease in loss per share.

## 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 2019 | 3,073 | 513 | 536 | 4,214 | 9,428 | 17,764 |
| Additions | 1,647 | – | 123 | 712 | 575 | 3,057 |
| At 31 March 2020 | 4,720 | 513 | 659 | 4,926 | 10,003 | 20,821 |
| Additions | – | – | – | – | 209 | 209 |
| Disposals | – | – | – | (712) | – | (712) |
| At 31 March 2021 | **4,720** | **513** | **659** | **4,214** | **10,212** | **20,318** |
| DEPRECIATION | | | | | | |
| At 1 April 2019 | 1,087 | 8 | 336 | 1,291 | 6,730 | 9,452 |
| Provided for the year | 927 | 49 | 41 | 621 | 1,047 | 2,685 |
| At 31 March 2020 | 2,014 | 57 | 377 | 1,912 | 7,777 | 12,137 |
| Provided for the year | 1,077 | 49 | 60 | 605 | 1,086 | 2,877 |
| Elimination on disposals | – | – | – | (101) | – | (101) |
| At 31 March 2021 | **3,091** | **106** | **437** | **2,416** | **8,863** | **14,913** |
| CARRYING VALUES | | | | | | |
| At 31 March 2021 | **1,629** | **407** | **222** | **1,798** | **1,349** | **5,405** |
| At 31 March 2020 | 2,706 | 456 | 282 | 3,014 | 2,226 | 8,684 |

The above items of property, plant and equipment are depreciated, taking into account their estimated residual values, on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvements | Over the term of the relevant lease, or 5 years whichever is shorter |
| Building | Over 20 years |
| Furniture and fixtures | Over 5 years |
| Motor vehicles | Over 5–10 years |
| Office equipment | Over 5 years |

## 17. RIGHT-OF-USE ASSETS

| | Leased properties RMB'000 |
|---|---|
| At 1 April 2019 | 4,551 |
| Additions to right-of-use assets | 7,294 |
| Depreciation charge | (2,988) |
| Rent concession | (161) |
| At 31 March 2020 | 8,696 |
| Additions to right-of-use assets | 1,061 |
| Depreciation charge | (5,413) |
| Derecognised upon early termination of lease | (3,007) |
| At 31 March 2021 | **1,337** |

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Expense relating to short-term leases | **557** | 70 |
| Expense relating to leases with lease terms end within 12 months of the date of initial application of HKFRS 16 | **–** | 3,032 |
| Total cash outflow for leases | **5,733** | 6,272 |

For both years, the Group leases offices and staff dormitories for its operations. Lease contracts are entered into for fixed term of 2 to 3 years (2020: 2 to 3 years) without extension and termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff dormitories. As at 31 March 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed as above.

During the year ended 31 March 2020, there were reduction to right-of-use assets of RMB161,000 and the related lease liabilities, due to rent concession of certain contracts.

Details of the lease maturity analysis of lease liabilities are set out in note 30.

## 18. INVESTMENT PROPERTIES

The Group leases out commercial property units under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years without extension and termination options.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currency of the relevant group entity.

| | RMB'000 |
|---|---|
| FAIR VALUE | |
| At 1 April 2019 | 20,500 |
| Loss on fair value change recognised in profit or loss | (400) |
| At 31 March 2020 | 20,100 |
| Gain on fair value change recognised in profit or loss | 100 |
| At 31 March 2021 | 20,200 |

The fair values of the Group's investment properties situated on land in the PRC as at 31 March 2021 and 2020 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 who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

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 property units. The approach uses prices generated by market transactions involving comparable properties.

One of the key inputs used in valuing the property units was the price per square meter, which ranged from approximately RMB24,000 to RMB30,000 (2020: RMB26,000 to RMB30,000) as at 31 March 2021. Higher price per square meter used would result in a higher fair value of the respective buildings and vice versa. The unit rates assumed by JLL are consisted with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in location, size and condition and other characters.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

| | **Fair value hierarchy** | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| Commercial property units located in Shenzhen, the PRC | Level 3 | **20,200** | 20,100 |

There were no transfers into or out of Level 3 during the year.

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group for both years.

## 19. GOODWILL

| | RMB'000 |
|---|---|
| COST | |
| At 1 April 2019, 31 March 2020 and 2021 | 44,157 |
| IMPAIRMENT | |
| At 1 April 2019 | – |
| Impairment loss recognised in the year | 20,525 |
| At 31 March 2020 and 2021 | 20,525 |
| CARRYING VALUES | |
| At 31 March 2021 | 23,632 |
| At 31 March 2020 | 23,632 |

Particulars regarding impairment testing on goodwill are disclosed in note 21.

## 20. INTANGIBLE ASSETS

| | Development costs RMB'000 | Brand name RMB'000 | Club membership RMB'000 | Customer relationship RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 April 2019 | 27,701 | 21,300 | 818 | 23,867 | 73,686 |
| Additions | 6,795 | – | – | – | 6,795 |
| At 31 March 2020 | 34,496 | 21,300 | 818 | 23,867 | 80,481 |
| Additions | 4,687 | – | – | – | 4,687 |
| At 31 March 2021 | 39,183 | 21,300 | 818 | 23,867 | 85,168 |
| AMORTISATION | | | | | |
| At 1 April 2019 | 1,111 | – | 38 | 5,375 | 6,524 |
| Charge for the year | 5,719 | – | 41 | 8,119 | 13,879 |
| At 31 March 2020 | 6,830 | – | 79 | 13,494 | 20,403 |
| Charge for the year | 9,274 | – | 41 | 10,373 | 19,688 |
| At 31 March 2021 | 16,104 | – | 120 | 23,867 | 40,091 |
| CARRYING VALUES | | | | | |
| At 31 March 2021 | 23,079 | 21,300 | 698 | – | 45,077 |
| At 31 March 2020 | 27,666 | 21,300 | 739 | 10,373 | 60,078 |

Development costs, brand name and customer relationship were recognised upon the acquisition of Bright Leap Limited ("**Bright Leap**"), a limited liability company incorporated in the 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, club membership and customer relationship have finite useful lives and are amortised on a straight-line basis over the following periods:

| | |
|---|---|
| Development costs | 6.2 years |
| Club membership | 20 years |
| Customer relationship | 2.2 years |

The estimated useful life of the customer relationship is determined based on expected economic benefit generated from the customer relationship.

Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 21.

## 21. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and brand name with indefinite useful lives set out in notes 19 and 20 respectively have been allocated to two individual CGUs, comprising the system integration segment and the software development segment. The carrying amounts of goodwill and brand name allocated to these units are as follows:

| | Goodwill | | Brand name with indefinite useful life | |
|---|---|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 |
| System integration business (Unit A) | **17,652** | 17,652 | **18,614** | 18,614 |
| Software development business (Unit B) | **5,980** | 5,980 | **2,686** | 2,686 |
| | **23,632** | 23,632 | **21,300** | 21,300 |

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

### Unit A

Unit A mainly provides cloud services and integrated solutions for urban public service administration Software-as-a Service. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and pre-tax discount rate of 31.23% (2020: 32.20%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% (2020: 3.00%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rate of revenue, which is based on the unit's past performance, management's expectations on customers' needs and the market development. There has been no change from the valuation technique used in prior year.

Due to the adverse effect of the COVID-19 and the failure to reach the budgeted revenue during the year ended 31 March 2020, the value in use of Unit A was adversely impacted as at 31 March 2020. The directors of the Company have consequently determined impairment of goodwill directly related to Unit A amounting to approximately RMB20,525,000. The impairment loss has been included in profit or loss in the other gains and losses line item for the year ended 31 March 2020. Based on the results of the impairment assessment, no further impairment loss on goodwill and brand name was recognised for the year ended 31 March 2021. The recoverable amount of Unit A is RMB148,164,000 as at 31 March 2021 (2020: RMB84,858,000).

If the pre-tax discount rate increases by 10% to 34.35% (2020: 35.42%), while other parameters remain constant, no impairment of goodwill would be recognised (2020: RMB5,126,000).

If the revenue can reach only 90% of budget revenue for each year, while other parameters remain constant, no impairment of goodwill would be recognised (2020: RMB11,262,000).

### Unit B

Unit B mainly develops customised software to its customers related to urban public service administration. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and pre-tax discount rate of 28.99% (2020: 32.25%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% (2020: 3.00%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rate of revenue, which is based on the unit's past performance, management's expectations on customers' needs and the market development. There has been no change from the valuation technique used in prior year. As the result of the impairment assessment, no impairment was necessary for the year ended 31 March 2021 (2020: Nil).

## 21. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

### Unit B (Continued)

As at 31 March 2021 and 2020, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

## 22. INTEREST IN AN ASSOCIATE

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Cost of investment, unlisted | **22,470** | 22,470 |
| Share of post-acquisition loss and other comprehensive expense, net of dividends received | **(106)** | (226) |
| Impairment loss recognised | **(16,857)** | (14,464) |
| | **5,507** | 7,780 |

As at 31 March 2021 and 2020, the Group has interest in the following associate:

| Name of entity | Proportion of ownership interest directly held by the Group | Place and country of establishment/ business | Registered capital | Principal activity |
|---|---|---|---|---|
| Good Cheer Ventures Limited ("**Good Cheer**") 美樂創投有限公司 | 15% *(note)* | BVI | USD50,000 | Investment holding company |

*Note:* The Group is able to exercise significant influence over Good Cheer because it has the power to appoint one out of two directors of that company under the Articles of Association of that company and participate in the financial and operating policy decision.

During the year ended 31 March 2020, the Group entered into sale and purchase agreements, a first supplemental agreement and a second supplemental agreement (collectively the "**S&P agreement**") with Assemble Bliss Limited, an independent third party, for the acquisition of 15% of the issued share capital of Good Cheer at a consideration of RMB22,470,000 in cash, which was mainly based on the preliminary valuation of Good Cheer conducted by an independent valuer. Good Cheer is an investment holding company. It owns 96.7742% equity interest in an operating subsidiary, Shenzhen Tongtianhui Technology Company Limited ("**Tongtianhui**"), in the PRC. The subsidiary operates a one-stop education technology service platform in the PRC to provide comprehensive solutions for its customers such as education institutions and/or individual education service providers to achieve precise matching between its customers and its online platform user. The directors of the Company considered the acquisition of Good Cheer and its subsidiaries ("**Good Cheer Group**") enabled the Group to leverage on its advantages in the technology development arena and to enter into the education industry in a more efficient way, and the anticipated future operating synergies from the acquisition would help achieve expansion of the Group's current business.

## 22. INTEREST IN AN ASSOCIATE (Continued)

At the time of the acquisition, Tongtianhui planned to expand to major cities across the PRC. Due to the outbreak of COVID-19, the expansion plan was suspended resulting in a significant drop in the budgeted revenue. As at 31 March 2021 and 2020, the directors of the Company assessed the recoverable amount of the associate, being its value in use. The value in use was determined by estimating the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the associate, which were in turn derived from the estimated cash flows of the underlying education business of the associate, discounted at a pre-tax rate of 27.48% (2020: 28.42%). As a result of the assessment, an impairment loss of approximately RMB2,393,000 (2020: RMB14,464,000) was recognised for the year ended 31 March 2021 to reduce the carrying amount of the interest in an associate to its recoverable amount as at 31 March 2021.

The consolidated financial information of the Group's associate are prepared using uniform accounting policies in conformity with the accounting policies adopted by the Group. The associate is accounted for using the equity method in these consolidated financial statements. The summarised consolidated financial information in respect of the Group's associate is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs.

### Good Cheer Group

| | **2021<br>RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Current assets | **1,201** | 498 |
| Non-current assets | **284** | 309 |
| Current liabilities | **(6,275)** | (6,316) |
| Non-current liabilities | **–** | (109) |
| Revenue | **4,012** | 186 |
| Profit (loss) for the year | **821** | (1,554) |
| Dividends received from the associate during the year | **–** | – |

## 22. INTEREST IN AN ASSOCIATE (Continued)

### Good Cheer Group (Continued)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Net deficit of the associate | (4,790) | (5,618) |
| Non-controlling interests of Good Cheer's subsidiary | 155 | 183 |
| Carrying amount of the Group's interest in the associate | (4,635) | (5,435) |
| Proportion of the Group's ownership interest in the associate | 15% | 15% |
| The Group's share of net deficit of the associate | (695) | (815) |
| Goodwill | 23,059 | 23,059 |
| Accumulated impairment loss recognised | (16,857) | (14,464) |
| Carrying amount of the Group's interest in the associate | 5,507 | 7,780 |

## 23. INVENTORIES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Raw materials | 103 | 143 |
| Finished goods | 1,676 | 532 |
| | 1,779 | 675 |

## 24. TRADE AND OTHER RECEIVABLES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Trade receivables | **550,753** | 338,215 |
| Less: allowance for ECL | **(22,292)** | (9,147) |
| | **528,461** | 329,068 |
| Other receivables, net of ECL | **2,691** | 2,277 |
| Value-added tax recoverable | **–** | 1,246 |
| Prepayments for purchase of inventories | **41,640** | 77,773 |
| Rental deposit, net of ECL | **598** | 264 |
| Total trade and other receivables | **573,390** | 410,628 |

As at 1 April 2019, trade receivables from contracts with customers amounted to RMB156,025,000.

The Group allows credit period ranging from 30 days to 270 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:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| 0–30 days | **233,849** | 99,406 |
| 31–90 days | **51,767** | 117,700 |
| 91–180 days | **32,519** | 36,768 |
| 181–365 days | **156,378** | 58,370 |
| Over 365 days | **53,948** | 16,824 |
| | **528,461** | 329,068 |

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB259,554,000 (2020: RMB69,856,000) which are past due as at the reporting date. Out of the past due balances, RMB90,061,000 (2020: RMB22,182,000) has been past due 90 days or more and is not considered as in default, because the management expects that the debtor is able and likely to pay for the debts based on the debtors' repayment history and subsequent settlements. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 39(b).

Certain trade receivables with carrying amount of approximately RMB9,800,000 (2020: Nil) as at 31 March 2021 are pledged against bank borrowings granted to the Group.

## 25. CONTRACT ASSETS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Contract assets:** | | |
| Provision of coordination, management and installation services of smart cities | 1,663 | 625 |
| Software development | 16,091 | 11,164 |
| Intelligent terminal products sales | – | – |
| Less: allowance for credit losses | (88) | (49) |
| | 17,666 | 11,740 |

As at 1 April 2019, contract assets amounted to RMB12,215,000.

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

Details of the impairment assessment are set out in note 39.

## 26. AMOUNTS DUE FROM A RELATED COMPANY/FROM (TO) NON-CONTROLLING INTERESTS

### Amount due from a related company

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Name of a related company** | | |
| Good Cheer *(note a)* | 248 | 243 |
| | 248 | 243 |

*Note:*

(a) The amount due from an associate, which is unsecured, non-trade nature, non-interest bearing and repayable on demand.

## 26. AMOUNTS DUE FROM A RELATED COMPANY/FROM (TO) NON-CONTROLLING INTERESTS (Continued)

### Amounts due from non-controlling interests

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| **Name of non-controlling interests** | | |
| Big Victory Global Limited | 20 | 21 |
| Yi Family Holding Limited Company | 15 | 16 |
| Wisdom Galore Limited ("**Wisdom Galore**") | 162 | 175 |
| Mr. Ke Chengwei ("**Mr. Ke**") | 617 | 1,492 |
| | 814 | 1,704 |

The amounts due from non-controlling interests of subsidiaries are non-trade nature, unsecured, non-interest bearing and repayable on demand.

### Amounts due to non-controlling interests

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| **Name of non-controlling interests** | | |
| Wisdom Galore *(note 32)* | 7,360 | 7,360 |
| Mr. Ke | 2,939 | 2,509 |
| | 10,299 | 9,869 |

The amounts due to non-controlling interests of subsidiaries are non-trade nature, unsecured, non-interest bearing and repayable on demand.

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Financial assets mandatorily measured at FVTPL: | | |
| Current: | | |
| Listed securities held for trading *(note)* | 8,252 | 1,392 |

*Note:* The listed securities mainly represent the Group's equity interests in several companies which are listed on the Main Board of the Stock Exchange.

As at 31 March 2021, the Group's listed securities of aggregate carrying amount of RMB238,000 (2020: Nil) were pledged by the Group to secure margin account payables (note 31).

## 28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand and bank balances. Bank balances carried interest at prevailing market interest rates which were ranging from 0.00% to 0.35% per annum (2020: 0.01% to 0.35% per annum) as at 31 March 2021. Pledged bank deposits represents deposits pledged to banks to secure banking facilities of bills payables granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bills payables.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| HK$ | **2,034** | 940 |
| United State Dollar ("**USD**") | **1,543** | 12 |
| | **3,577** | 952 |

## 29. TRADE AND OTHER PAYABLES

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Trade payables *(note a)* | **190,960** | 31,227 |
| Bills payables | **8,000** | 2,000 |
| Contract liabilities *(note b)* | **2,559** | 161 |
| Other payables | **3,456** | 7,165 |
| Other tax payables | **96,151** | 47,935 |
| Accrued expenses | **5,927** | 3,087 |
| Accrued payroll expenses | **8,641** | 7,192 |
| Interest payables | **2,031** | 1,595 |
| Total trade and other payables | **317,725** | 100,362 |

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

(a) 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:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| 0–30 days | **150,656** | 2,566 |
| 31–90 days | **–** | 51 |
| Over 90 days | **40,304** | 28,610 |
| | **190,960** | 31,227 |

## 29. TRADE AND OTHER PAYABLES (Continued)

(b) The contract liabilities primarily relate to the advance consideration received from customers for sales of intelligent terminal products, for which revenue is recognised at point in time. This will be recognised as revenue when control of the goods has transferred, being when the goods have been delivered to the customers' specific location.

### Movements in contract liabilities

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| At 1 April | **161** | – |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period | **(161)** | – |
| Increase in contract liabilities as a result of advances received from customers of sales of intelligent terminal products | **2,559** | 161 |
| At 31 March | **2,559** | 161 |

## 30. LEASE LIABILITIES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Lease liabilities payable: | | |
| Within one year | **1,248** | 5,222 |
| Within a period of more than one year but not more than two years | **161** | 3,680 |
| Within a period of more than two years but not more than three years | **15** | 5 |
| | **1,424** | 8,907 |
| Less: Amount due for settlement within 12 months shown under current liabilities | **(1,248)** | (5,222) |
| Amount due for settlement after 12 months shown under non-current liabilities | **176** | 3,685 |

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| HK$ | **707** | 2,511 |

## 31. BANK AND OTHER BORROWINGS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Secured bank borrowings | **29,191** | 21,054 |
| Unsecured other borrowings | **2,536** | – |
| Secured margin account payable | **3,410** | – |
| | **35,137** | 21,054 |
| Carrying amount of the above borrowings are repayable: | | |
| Within one year | **32,707** | 19,844 |
| More than one year, but not more than two years | **2,430** | 1,151 |
| More than two years, but not more than five years | **–** | 59 |
| | **35,137** | 21,054 |
| Less: Amounts due within one year shown under current liabilities | **(32,707)** | (19,844) |
| Amounts shown under non-current liabilities | **2,430** | 1,210 |
| Breakdown of the bank and other borrowings: | | |
| Fixed-rate borrowings | **13,537** | 10,302 |
| Floating-rate borrowings | **21,600** | 10,752 |
| | **35,137** | 21,054 |

The Group's variable rate borrowings carry interest at prevailing rate of People's Bank of China plus a spread.

## 31. BANK AND OTHER BORROWINGS (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

| | 2021 | 2020 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | 4.35% to 18.00% | 5.66% to 9.00% |
| Variable-rate borrowings | 5.57% to 6.05% | 6.00% to 11.00% |

As security for the bank borrowings granted to the Group, investment properties with an aggregate fair value of approximately RMB20,200,000 (2020: RMB20,100,000) and trade receivables with carrying amount of approximately RMB9,800,000 (2020: Nil) as at 31 March 2021 have been pledged to the banks.

During the year ended 31 March 2021, the Group has entered into certain letters of credit financing arrangements in order to obtain funding from banks for settlement of proposed purchases from third parties, which were not backed by actual underlying transactions (the "**LC Financing Arrangement**").

Under the LC Financing Arrangement, the Company's subsidiary, IBO Information, has entered into purchase agreements with third parties (the "**Alleged Suppliers**") and has arranged letters of credit to settle such proposed purchases. Despite these purchase transactions were subsequently cancelled and did not eventuate, the related letters of credit have not been cancelled but were utilised by the Group and the Alleged Suppliers.

The LC Financing Arrangement was considered as non-compliance of local laws and regulations, given the measure taken by the Group and after seeking legal advice, the directors of the Company are of the view that such arrangement will have no material financial impact to the Group.

Margin account payable is secured by certain listed securities held by the Group (note 27) and carry interest at 12% per annum.

## 32. CONSIDERATION PAYABLE

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.

Pursuant to the Wisdom Galore Acquisition Agreement, the Consideration Shares, subject to adjustments based on future results of the Bright Leap Group, shall be paid in three instalments, which shall be satisfied by the allotment and issue of the respective maximum number of new ordinary shares of the Company within thirty days after the date of issuance of the audited financial statements for all subsidiaries in the PRC of the Bright Leap Group for the years ended 31 March 2019, 2020 and 2021 following the completion of the acquisition of Bright Leap Group ("**Relevant Periods**").

## 32. CONSIDERATION PAYABLE (Continued)

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.

During the year ended 31 March 2020, the Guaranteed Profits related to the first Relevant Period have been determined to be achieved. The directors of the Company considered that the Guaranteed Profits for the second and the third Relevant Periods will be achievable, and that a total of 27,318,773 new ordinary shares of the Company would be issued in accordance with Wisdom Galore Acquisition Agreement across the three years. On 17 September 2019, a total of 10,927,509 ordinary shares of par value HK$0.01 each were allotted and issued to Wisdom Galore for settling the first installment of the Consideration Shares at HK$1.59 per share. For the estimated 16,391,264 Consideration Shares payable, the second installment of 8,195,632 shares will be issued within one year from 31 March 2020 and the directors of the Company expected that the third installment of 8,195,632 shares will be issued within one year from 31 March 2021 in accordance with the terms of Wisdom Galore Acquisition Agreement.

At the end of the reporting period, the estimated Consideration Shares payable is recognised at fair value (the "**Consideration Payable**"). Subsequent to the initial recognition, the Consideration Payable is measured at fair value with changes in fair values recognised in consolidated profit or loss. At 31 March 2020, the fair value of the Consideration Payable was approximately RMB32,798,000 which was determined by reference to the quoted market price of HK$2.19 (equivalent to RMB2.00) per share of the Company at 31 March 2020 multiplied by the estimated 16,391,264 Consideration Shares payable. Accordingly, the carrying amount of Consideration Payable of approximately RMB16,399,000 is classified as current liabilities and the carrying amount of consideration payable of approximately RMB16,399,000 is classified as non-current liabilities at 31 March 2020.

The Group recognised a loss on change in fair value of Consideration Payable of approximately RMB3,994,000 in profit or loss during the year ended 31 March 2020.

During the year ended 31 March 2021, the Guaranteed Profits related to the second Relevant Period have been determined to be achieved. On 11 December 2020, the second installment of the 8,195,632 Consideration Shares of par value of HK$0.01 each were allotted to Wisdom Galore at HK$2.31 (equivalent to RMB1.95) per share. The directors of the Company expected that the third installment of 8,195,632 Consideration Shares will be issued within one year from 31 March 2021 in accordance with the terms of Wisdom Galore Acquisition Agreement. As at 31 March 2021, the fair value of the consideration payable was approximately RMB33,456,000 which was determined by reference to the quoted market price of HK$4.83 (equivalent to RMB4.08) per share of the Company at 31 March 2021 multiplied by the estimated 8,195,632 Consideration Shares payable. Accordingly, the carrying amount of Consideration Payable of approximately RMB33,456,000 is classified as current liabilities at 31 March 2021.

The Group recognised a loss on change in fair value of Consideration Payable of approximately RMB16,633,000 in profit or loss during the year ended 31 March 2021.

## 33. BONDS PAYABLES

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Current portion | **39,586** | 35,538 |
| Non-current portion | **29,727** | 31,101 |
| | **69,313** | 66,639 |

During the year ended 31 March 2020, the Group issued bonds at par value in an aggregate principal amount of HK$43,600,000 (equivalent to approximately RMB39,139,000) to independent third parties. The bonds are denominated in HK$ and are unlisted. The bonds carry interest at a nominal rate of 6% and 7% per annum, payable annually in arrears with a maturity period of 1 to 3 years. The proceeds were utilised for general working capital of the Group. The commission fee amounted to HK$4,553,000 (equivalent to approximately RMB4,081,000) was deducted from the placing proceeds and recognised against the bonds payable.

During the year ended 31 March 2021, the Group issued bonds at par value in an aggregate principal amount of HK$49,000,000 (equivalent to approximately RMB42,871,000) to independent third parties. The bonds are denominated in HK$ and are unlisted. The bonds carry interest at a nominal rate of 1% to 7% per annum, payable annually in arrears with a maturity period of 1 to 3 years. The proceeds were utilised for general working capital of the Group. The commission fee amounted to HK$4,705,000 (equivalent to approximately RMB3,877,000) was deducted from the placing proceeds and recognised against the bonds payable.

## 34. CONVERTIBLE BONDS

On 3 April 2019, the Company completed the issue of convertible bonds (the "**CB I**") with the aggregate principal amount of HK$22,400,000 (equivalent to approximately RMB19,215,000) to independent third parties. The convertible bonds are denominated in HK$. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and the close of business on the fifth business day prior to the maturity date at a conversion price of HK$1.60 per share. If the bonds had not been converted, they will be redeemed on maturity date on 3 April 2022 at par. Interest of 7.5% per annum will be paid on the maturity date. Subsequently, the Company received conversion notices from Fu Lai Financial Group Limited, MJ Capital Investment Limited and Mr. Chan Ming Leung respectively for the conversion of their CB I into ordinary shares. As a result, 1,200,000 new ordinary shares of HK$0.01 each in the share capital of the Company were issued upon conversion of the CB I during the year ended 31 March 2020.

On 10 July 2019, the Company completed the issue of convertible bonds (the "**CB II**") with the aggregate principal amount of HK$31,140,000 (equivalent to approximately RMB27,397,000) to independent third parties. The convertible bonds are denominated in HK$. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 10 July 2022 at a conversion price of HK$1.73 per share. If the bonds had not been converted, they will be redeemed on maturity date on 10 July 2022 at par. Interest of 7.5% per annum will be paid on the maturity date. Subsequently, the Company received conversion notices from Fu Lai Financial Group Limited and Best Summit Investment Limited respectively for the conversion of their CB II into ordinary shares. As a result, 900,000 new ordinary shares of HK$0.01 each in the share capital of the Company were issued upon conversion of the CB II during the year ended 31 March 2020.

On 31 August 2020, the Company received conversion notices from Lam Shu Chung and Wong Yun Sang for the conversion of their CB I into ordinary shares. As a result, 8,400,000 new shares of HK$0.01 each in share capital of the Company were issued upon conversion of the CB I during the year ended 31 March 2021.

On 24 February 2021, the Company received conversion notice from Cheung Mui for the conversion for her CB II into ordinary shares. As a result, 8,640,000 new shares of HK$0.01 each in share capital of the Company were issued upon conversion of the CB II during the year ended 31 March 2021.

## 34. CONVERTIBLE BONDS (Continued)

The convertible bonds contain two components, a liability component and a derivative component representing the conversion option. The effective interest rates of the debt component are 7.00% for CB I and 7.22% for CB II respectively. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. During the year ended 31 March 2020, transactions costs totalling of approximately RMB1,165,000 had been incurred for the issuance of convertible bonds.

The fair value of the convertible bonds on their respective issue dates was determined using a valuation technique (see note 39(c)(i)). The fair value of the convertible bonds at initial recognition differed from their respective transaction prices as the latter did not reflect the fair value of the conversion options. The difference between the fair value and the transaction price of the convertible bonds at initial recognition amounted to approximately RMB17,695,000 in aggregate which is recognised as a deferred loss against the carrying amount of the convertible bonds during the year ended 31 March 2020.

The movements of the liability and the derivative components of the convertible bonds as well as the deferred Day-1 loss for the current period are set out as below:

| | Liability component RMB'000 | Derivative component RMB'000 | Deferred Day-1 loss RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 April 2019 | – | – | – | – |
| Upon issue of convertible bonds | 46,612 | 17,695 | (17,695) | 46,612 |
| Transaction costs | (852) | – | – | (852) |
| Recognition of deferred Day-1 loss in profit or loss | – | – | 6,289 | 6,289 |
| Change in fair value | – | 4,637 | – | 4,637 |
| Interest charge | 2,749 | – | – | 2,749 |
| Conversion to shares | (3,275) | (1,282) | – | (4,557) |
| Exchange realignment | 2,349 | 1,803 | (785) | 3,367 |
| At 31 March 2020 | 47,583 | 22,853 | (12,191) | 58,245 |
| Recognition of deferred Day-1 loss in profit or loss | – | – | 9,381 | 9,381 |
| Change in fair value | – | 18,757 | – | 18,757 |
| Interest charge | 2,701 | – | – | 2,701 |
| Conversion to shares | (27,638) | (12,130) | – | (39,768) |
| Exchange realignment | (2,678) | (2,034) | 183 | (4,529) |
| At 31 March 2021 | **19,968** | **27,446** | **(2,627)** | **44,787** |

The fair values of the convertible bonds were determined by independent qualified valuer based on the Binomial Option Pricing model for the years ended 31 March 2021 and 2020. The key inputs used in the model are disclosed in note 39(c)(i).

## 35. SHARE CAPITAL

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 1,000,000,000 | 10,000 |

| | Number of shares | Share capital HK$'000 | Shown in the consolidated statement of financial position RMB'000 |
|---|---|---|---|
| **Issued:** | | | |
| At 1 April 2019 | 400,000,000 | 4,000 | 3,349 |
| Issued as consideration for acquisition of subsidiaries in previous year *(note 32)* | 10,927,509 | 109 | 99 |
| Issue of shares arising from conversion of convertible bonds *(note 34)* | 2,100,000 | 21 | 19 |
| At 31 March 2020 | 413,027,509 | 4,130 | 3,467 |
| Issued as consideration for acquisition of subsidiaries in previous year *(note 32)* | 8,195,632 | 82 | 69 |
| Issue of shares arising from conversion of convertible bonds *(note 34)* | 17,040,000 | 171 | 150 |
| Issue of shares under Specific Mandate *(Note)* | 50,000,000 | 500 | 417 |
| At 31 March 2021 | **488,263,141** | **4,883** | **4,103** |

*Note:* As disclosed in the circular of the Company dated 25 April 2019, one of the conditions precedents to the First Stage Subscription of the Subscription Agreement is that, the respective total revenue of the Group as shown in the relevant audited accounts for each of the financial years ended 31 March 2019 and 31 March 2020 are not lower than RMB265,875,000 and RMB358,931,250 (the "**First Revenue Targets**"). The audited reports of the Group for each of the financial years ended 31 March 2019 and 31 March 2020 indicated that the First Revenue Targets had exceeded RMB265,875,000 and RMB358,931,250 respectively.

Since all the conditions precedents of the First Stage Subscription have been fulfilled and the Subscriber, Shine Well, the ultimate holding company, has completed the financial arrangement in relation to the First Stage Subscription. Accordingly, 50,000,000 Subscription Shares at HK$1.5 per subscription price were allotted and issued to the Subscriber under the Specific Mandate and the First Stage Subscription was completed on 3 February 2021. For details please refer to the Company's announcement dated 3 February 2021.

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

## 36. DEFERRED TAX ASSETS (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:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Deferred tax assets | **4,571** | 2,034 |
| Deferred tax liabilities | **(23,104)** | (22,731) |
| | **(18,533)** | (20,697) |

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the year:

| | **ECL provision** RMB'000 | **Revaluation of property** RMB'000 | **Undistributed earnings of PRC entities** RMB'000 | **Share option** RMB'000 | **Fair value adjustments of intangible assets on business combination** RMB'000 | **Interest payable** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2019** | (225) | 2,247 | 6,630 | (1,760) | 15,667 | – | 22,559 |
| (Credit) charge to profit or loss *(note 10)* | (1,150) | (100) | 3,860 | (717) | (3,427) | (328) | (1,862) |
| At 31 March 2020 | **(1,375)** | **2,147** | **10,490** | **(2,477)** | **12,240** | **(328)** | **20,697** |
| (Credit) charge to profit or loss *(note 10)* | **(1,972)** | **25** | **5,123** | **(130)** | **(4,750)** | **(460)** | **(2,164)** |
| **At 31 March 2021** | **(3,347)** | **2,172** | **15,613** | **(2,607)** | **7,490** | **(788)** | **18,533** |

At the end of the reporting period, the Group has unused tax losses of approximately RMB30,815,000 (2020: RMB23,437,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses will expire in 2026 (2020: expire in 2025).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB1,120,000 (2020: RMB2,961,000) related to the unrealised profit of intra-group transaction. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding tax at 5% to 10% are imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 March 2021, 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 RMB263,191,000 (2020: RMB195,232,000).

## 37. OPERATING LEASES

### The Group as lessor

All of the properties leased out have committed tenants with fixed rent and lease term ranged from 1 to 2 years without extension or termination options granted to tenants.

Lease payments receivable on leases are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within one year | 358 | 165 |
| In the second year to fifth year | 93 | – |
| | 451 | 165 |

## 38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that group companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings disclosed in note 31, bonds payables disclosed in note 33, convertible bonds disclosed in note 34, lease liabilities disclosed in note 30 and amounts due to non-controlling interests disclosed in note 26, net of cash and cash equivalent, and equity attributable to owners of the Group.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as the issue of new debt or redemption of existing debt.

## 39. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at FVTPL | 8,252 | 1,392 |
| Financial assets at amortised cost | 771,692 | 406,026 |
| **Financial liabilities** | | |
| Financial liabilities at FVTPL | | |
| Consideration payable | 33,456 | 32,798 |
| Convertible bonds — derivative component net of the deferred Day-1 loss | 24,819 | 10,662 |
| Financial liabilities at amortised cost | 353,732 | 189,746 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies and non-controlling interests, financial assets at FVTPL, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, amounts due to non-controlling interests, bonds payables, convertible bonds and consideration payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

*(i) Currency risk*

Certain of the Group's bank balances, financial assets at FVTPL, trade and other receivables, amounts due from (to) non-controlling interests and a related company, trade and other payables, bank and other borrowings, bonds payables, lease liabilities, convertible bonds and consideration payable are denominated in foreign currencies other than the functional currency of the respective group entities, which expose the respective group entities to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currency at the respective reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 |
| HK$ | **12,610** | 3,674 | **(170,208)** | (165,429) |
| USD | **1,543** | 12 | **–** | – |

Sensitivity analysis

The following table below details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against HK$ and USD as at 31 March 2021. 5% (2020: 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% (2020: 5%) change in foreign currency rates. A positive (negative) number below indicates a decrease (an increase) in post-tax loss where RMB strengthen 5% (2020: 5%) against HK$ and USD. For a 5% (2020: 5%) weakening of RMB against HK$ and USD, there would be an equal and opposite impact on the profit or loss.

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| HK$ | **6,580** | 6,753 |
| USD | **(64)** | (1) |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk** (Continued)

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to lease liabilities, fixed-rate bank and other borrowings, bonds payables and convertible bonds related to liability component (see notes 30, 31, 33 and 34 for details). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of RMB benchmark loan rate of the People's Bank of China on the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 50 basis points (2020: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2021 would have increased/decreased by approximately RMB92,000 (2020: RMB45,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

*(iii) Other price risk*

The Group is exposed to equity price risk through its investment in listed equity securities measured at FVTPL. The Group has appointed designated personnel to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the post-tax loss for the year ended 31 March 2021 would decrease/increase by approximately RMB345,000 (2020: RMB58,000) as a result of the changes in fair value of investments at FVTPL.

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables and contract assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk are primarily attributable to its trade receivables and contract assets. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets individually. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and forward-looking information that is reasonable and supportive. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

The credit risk on liquid funds is limited because the counterparties are stated-owned banks or banks with high credit-ratings assigned by international or PRC credit-rating agencies.

The Group has concentration of credit risk as 26.0% (2020: 46.6%) and 63.6% (2020: 81.1%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, the current business cooperation relationship, credit quality, the financial position of these customers as well as forward-looking information.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and trade receivables, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables/ contract assets | Other financial assets |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL — not credit-impaired | 12m ECL |
| Fair risk | The aging of exposure slightly exceeds the credit term granted | Lifetime ECL — not credit-impaired | 12m ECL |
| Substandard | The aging of exposure exceeds the credit term granted and the risk of non-payment increases as the time period is longer than normal expected process | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Doubtful | There have been significant increases of credit risk since initial recognition | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Remote | Probability of recovery of complete repayments is low | Lifetime ECL — credit-impaired | Lifetime ECL — credit-impaired |
| Loss | Probability of recovery of any repayments is low | Lifetime ECL — credit-impaired | Lifetime ECL — credit-impaired |
| Write-off | There is evidence indicating that the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and other items which are subject to ECL assessment:

| | Notes | External credit rating | Internal credit rating | 12m or lifetime ECL | Gross carrying amount 2021 RMB'000 | Gross carrying amount 2020 RMB'000 |
|---|---|---|---|---|---|---|
| **Financial assets at amortised costs** | | | | | | |
| Trade receivables | *24* | N/A | (note b) | Lifetime ECL (not credit-impaired) | **538,863** | 332,775 |
| | | | | Loss (credit-impaired) | **11,890** | 5,440 |
| | | | | | **550,753** | 338,215 |
| Other receivables | *24* | N/A | (note a) | 12m ECL | **2,799** | 2,374 |
| Rental deposits | *24* | N/A | (note a) | 12m ECL | **1,321** | 1,407 |
| Amount due from a related company | *26* | N/A | (note a) | 12m ECL | **248** | 243 |
| Amounts due from non-controlling interests | *26* | N/A | (note a) | 12m ECL | **814** | 1,704 |
| Bank balances | *28* | AAA | N/A | 12m ECL | **232,158** | 69,178 |
| Pledged bank deposits | *28* | AAA | N/A | 12m ECL | **6,000** | 2,191 |
| **Other item** | | | | | | |
| Contract assets | *25* | N/A | (note b) | Lifetime ECL (not credit-impaired) | **17,754** | 11,789 |

*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 2021 and 2020, these amounts are not past due.

b. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL on individual basis.

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

*Gross carrying amount*

**2021**

| Internal credit rating | Average loss rate | Trade receivables RMB'000 | Contract assets RMB'000 |
|---|---|---|---|
| Low risk | **0.32%** | **275,614** | **16,091** |
| Fair risk | **2.63%** | **233,594** | **1,391** |
| Substandard | **8.77%** | **24,793** | **272** |
| Doubtful | **26.74%** | **4,862** | **–** |
| Remote | **69.63%** | **400** | **–** |
| Loss | **100%** | **11,490** | **–** |
| | | **550,753** | **17,754** |

2020

| Internal credit rating | Average loss rate | Trade receivables RMB'000 | Contract assets RMB'000 |
|---|---|---|---|
| Low risk | 0.34% | 272,399 | 11,396 |
| Fair risk | 2.69% | 47,845 | 393 |
| Substandard | 8.77% | 75 | – |
| Doubtful | 25.19% | 12,456 | – |
| Loss | 69.73% | 5,440 | – |
| | | 338,215 | 11,789 |

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 2021, the Group has recognised approximately RMB13,145,000 (2020: RMB7,744,000) impairment allowance for trade receivables, based on individual assessments. Within that amount is an impairment allowance of approximately RMB5,501,000 (2020: RMB3,204,000) for credit-impaired debtors.

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 April 2019 | 1,273 | 130 | 1,403 |
| Changes due to financial instruments recognised at 1 April | | | |
| — Transfer to credit-impaired | (459) | 459 | – |
| — Impairment losses recognised | 2,489 | 3,204 | 5,693 |
| New financial assets originated | 2,051 | – | 2,051 |
| At 31 March 2020 | 5,354 | 3,793 | 9,147 |
| Changes due to financial instruments recognised at 1 April | | | |
| — Transfer to credit-impaired | **(2,474)** | **2,474** | **–** |
| — Impairment losses recognised | **799** | **5,501** | **6,300** |
| New financial assets originated | **6,845** | **–** | **6,845** |
| At 31 March 2021 | **10,524** | **11,768** | **22,292** |

Changes in the loss allowance for trade receivables are mainly due to:

| | **2021 Increase/(decrease) in lifetime ECL** | | 2020 Increase/(decrease) in lifetime ECL | |
|---|---|---|---|---|
| | **Not credit-impaired RMB'000** | **Credit-impaired RMB'000** | Not credit-impaired RMB'000 | Credit-impaired RMB'000 |
| Several trade debtors with gross carrying amounts of approximately RMB11,801,000 (2020: RMB5,310,000) defaulted and transferred to credit-impaired | **(2,474)** | **7,975** | (459) | 3,663 |
| Several trade debtors with gross carrying amounts of approximately RMB4,862,000 (2020: RMB12,252,000) graded as doubtful | **1,067** | **–** | 2,922 | – |
| New trade receivables with gross carrying amount of approximately RMB481,366,000 (2020: RMB314,295,000) | **6,845** | **–** | 2,051 | – |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)
During the year ended 31 March 2021, the Group provided approximately RMB39,000 (2020: RMB8,000), reversed approximately RMB2,000 (2020: impairment of RMB14,000) and approximately RMB8,000 (2020: impairment of RMB48,000) impairment allowance for contract assets, rental deposits and other receivables respectively, based on individual assessments. As at 31 March 2021, the accumulated loss allowance for contract assets, rental deposits and other receivables amounted to approximately RMB88,000 (2020: RMB49,000), approximately RMB40,000 (2020: RMB42,000) and approximately RMB89,000 (2020: RMB97,000), respectively.

**Liquidity risk**
In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

*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 |
|---|---|---|---|---|---|---|---|
| **At 31 March 2021** | | | | | | | |
| Trade and other payables | – | 219,015 | – | – | – | 219,015 | 219,015 |
| Bank and other borrowings | | | | | | | |
| — floating rate | 5.97 | – | 18,272 | 3,700 | – | 21,972 | 21,600 |
| — fixed rate | 10.54 | – | 8,075 | 3,303 | 2,967 | 14,345 | 13,537 |
| Bonds payables | 13.00 | – | – | 43,082 | 34,487 | 77,569 | 69,313 |
| Amounts due to non-controlling interests | – | 10,299 | – | – | – | 10,299 | 10,299 |
| Convertible bonds | | | | | | | |
| — liability component | 7.15 | – | – | – | 22,421 | 22,421 | 19,968 |
| | | 229,314 | 26,347 | 50,085 | 59,875 | 365,621 | 353,732 |
| Lease liabilities | 7.29 | 191 | 382 | 716 | 180 | 1,469 | 1,424 |
| **At 31 March 2020** | | | | | | | |
| Trade and other payables | – | 44,601 | – | – | – | 44,601 | 44,601 |
| Bank and other borrowings | | | | | | | |
| — floating rate | 7.44 | – | 1,987 | 7,978 | 1,270 | 11,235 | 10,752 |
| — fixed rate | 7.57 | – | 6,497 | 4,041 | – | 10,538 | 10,302 |
| Bonds payables | 13.00 | – | – | 39,908 | 39,055 | 78,963 | 66,639 |
| Amounts due to non-controlling interests | – | 9,869 | – | – | – | 9,869 | 9,869 |
| Convertible bonds | | | | | | | |
| — liability component | 7.12 | – | – | – | 56,031 | 56,031 | 47,583 |
| | | 54,470 | 8,484 | 51,927 | 96,356 | 211,237 | 189,746 |
| Lease liabilities | 7.00 | 357 | 1,010 | 4,374 | 3,788 | 9,529 | 8,907 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The management of the Company engaged an independent qualified professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

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

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

**Fair value hierarchy as at 31 March 2021**

| | Level 1<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| **Financial assets at FVTPL** | | | |
| Listed equity securities | 8,252 | – | 8,252 |
| **Financial liabilities at FVTPL** | | | |
| Convertible bonds — derivative components net of the deferred Day-1 loss | – | 24,819 | 24,819 |
| Consideration payable | – | 33,456 | 33,456 |

**Fair value hierarchy as at 31 March 2020**

| | Level 1<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| **Financial assets at FVTPL** | | | |
| Listed equity securities | 1,392 | – | 1,392 |
| **Financial liabilities at FVTPL** | | | |
| Convertible bonds — derivative components net of the deferred Day-1 loss | – | 10,662 | 10,662 |
| Consideration payable | – | 32,798 | 32,798 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements (Continued)

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

| Financial assets/financial liabilities | Fair value as at 31 March 2021 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Listed equity securities | RMB8,252,000 (2020: RMB1,392,000) | Level 1 | Quoted bid prices in an active market | N/A |
| **Financial liabilities** | | | | |
| Convertible bonds — derivative component net of the deferred Day-1 loss | RMB24,819,000 (2020: RMB10,662,000) | Level 3 | Binomial Option Pricing model, the key input are Time-to-maturity, underlying share price, conversion price, coupon rate, expected volatility, risk-free rate, discount rate, expected dividend yield *(note 3)* | Expected volatility of share price *(note 2)* |
| Consideration payable | RMB33,456,000 (2020: RMB32,798,000) | Level 3 | Quoted bid prices of the Company's share in an active market, reduced by expected shortfall of actual profits of nil of Bright Leap against guaranteed profits | Probability-adjusted profits as detailed in note 32 *(note 1)* |

*Notes:*

1. As at 31 March 2020, 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 approximately RMB1,265,000. At 31 March 2021, since the Bright Leap Group has achieved the Guaranteed Profits, the carrying amount of the consideration payable is determined by the quoted market price of the Company's share multiplied by the number of Consideration Shares payable.

2. As at 31 March 2021, if the expected volatility of share price of comparable companies was 5% higher/lower and the other variables were held constant, the derivative component of convertible bonds would increase/decrease by approximately RMB376,000/RMB237,000 (2020: RMB1,474,000/RMB1,343,000), respectively. The key inputs used in calculation of the fair values of convertible bonds are as follows:

| | CB I | | CB II | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Time-to-maturity | **1.0 year** | 2.0 years | **1.3 years** | 2.3 years |
| Underlying share price | **HK$4.83** | HK$2.19 | **HK$4.83** | HK$2.19 |
| Conversion price | **HK$1.60** | HK$1.60 | **HK$1.73** | HK$1.73 |
| Coupon rate | **7.5%** | 7.5% | **7.5%** | 7.5% |
| Expected volatility | **69.55%** | 47.5% | **67.34%** | 46.2% |
| Risk-free rate | **0.09%** | 0.6% | **0.10%** | 0.6% |
| Discount rate | **5.28%** | 10.8% | **5.29%** | 10.8% |
| Expected dividend yield | **0.0%** | 0.0% | **0.0%** | 0.0% |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements (Continued)

#### (ii) Reconciliation of Level 3 fair value measurements

| | Asset Convertible bonds RMB'000 |
|---|---|
| At 1 April 2019 | 460 |
| Disposal | (460) |
| At 31 March 2020 and 2021 | – |

| | Liabilities Convertible bonds | |
|---|---|---|
| | Derivative component RMB'000 | Day-1 Loss RMB'000 |
| At 1 April 2019 | – | – |
| Upon issue of convertible bonds | 17,695 | (17,695) |
| Recognition of deferred Day-1 loss in profit or loss | – | 6,289 |
| Conversion to shares | (1,282) | – |
| Change in fair value | 4,637 | – |
| Exchange realignment | 1,803 | (785) |
| At 31 March 2020 | 22,853 | (12,191) |
| Recognition of deferred Day-1 loss in profit or loss | – | 9,381 |
| Conversion to shares | (12,130) | – |
| Change in fair value *(note)* | 18,757 | – |
| Exchange realignment | (2,034) | 183 |
| At 31 March 2021 | **27,446** | **(2,627)** |

*Note:* Of the total change in fair value for the period included in profit or loss, approximately RMB18,757,000 (2020: RMB4,637,000) relates to unrealised fair value losses on the derivative component of the convertible bonds at the end of the reporting period. Fair value changes on the derivative component of the convertible bonds are included in "other gains and losses".

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial statements (Continued)

#### (ii) Reconciliation of Level 3 fair value measurements (Continued)

| | Liabilities Consideration payable RMB'000 |
|---|---|
| At 1 April 2019 | 44,524 |
| Shares issued | (15,720) |
| Change in fair value *(note)* | 3,994 |
| At 31 March 2020 | 32,798 |
| Shares issued | (15,975) |
| Change in fair value *(note)* | 16,633 |
| At 31 March 2021 | 33,456 |

*Note:* Of the total change in fair value for the period included in profit or loss, approximately RMB16,633,000 (2020: RMB3,994,000) relates to unrealised fair value losses on the consideration payable at the end of the reporting period. Fair value changes on consideration payable are included in "other gains and losses".

There were no transfers into or out of Level 1, 2 and 3 during the year.

#### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

## 40. PLEDGE OF OR RESTRICTIONS ON ASSETS

### Pledge of assets

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure the bank borrowing are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Bank deposits | 6,000 | 2,191 |
| Listed securities | 238 | – |
| Investment properties | 20,200 | 20,100 |
| Trade receivables | 9,800 | – |
| | 36,238 | 22,291 |

### Restrictions on assets

In addition, lease liabilities of approximately RMB1,424,000 (2020: RMB8,907,000) are recognised with related right-of-use assets of approximately RMB1,337,000 (2020: RMB8,696,000) as at 31 March 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank and other borrowings RMB'000 | Bond payables RMB'000 | Lease liabilities RMB'000 | Convertible bonds RMB'000 | Amounts due to non-controlling interests RMB'000 | Interest payables RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 April 2019 | 25,632 | 26,727 | 4,466 | – | 13,681 | 716 | 71,222 |
| Financing cash flows *(note)* | (4,578) | 35,058 | (3,170) | 45,447 | (3,812) | (3,992) | 64,953 |
| Non-cash transactions: | | | | | | | |
| Finance costs recognised | – | 2,351 | 382 | 2,749 | – | 4,871 | 10,353 |
| New lease contracts | – | – | 7,187 | – | – | – | 7,187 |
| Lease modified | – | – | (161) | – | – | – | (161) |
| Changes in fair value | – | – | – | 4,637 | – | – | 4,637 |
| Exchange realignment | – | 2,503 | 203 | 3,367 | – | – | 6,073 |
| Recognition of deferred loss from initial recognition of convertible bonds | – | – | – | 6,289 | – | – | 6,289 |
| Transaction costs related to issuance of convertible bonds — derivative component | – | – | – | 313 | – | – | 313 |
| Conversion to shares | – | – | – | (4,557) | – | – | (4,557) |
| At 31 March 2020 | 21,054 | 66,639 | 8,907 | 58,245 | 9,869 | 1,595 | 166,309 |
| Financing cash flows *(note)* | 14,083 | 1,323 | (6,017) | – | 430 | (7,257) | 2,562 |
| Non-cash transactions: | | | | | | | |
| Finance costs recognised | – | 5,511 | 284 | 2,701 | – | 7,693 | 16,189 |
| New lease contracts | – | – | 1,061 | – | – | – | 1,061 |
| Derecognised upon early termination of lease | – | – | (3,007) | – | – | – | (3,007) |
| Changes in fair value | – | – | – | 18,757 | – | – | 18,757 |
| Exchange realignment | – | (4,160) | 196 | (4,529) | – | – | (8,493) |
| Recognition of deferred loss from initial recognition of convertible bonds | – | – | – | 9,381 | – | – | 9,381 |
| Conversion to shares | – | – | – | (39,768) | – | – | (39,768) |
| At 31 March 2021 | **35,137** | **69,313** | **1,424** | **44,787** | **10,299** | **2,031** | **162,991** |

*Note:* The cash flows represent (i) the proceeds from and repayment of bank and other borrowings and related interest paid, (ii) the proceeds from and repayment of bond payables, net of payment of issue costs, (iii) the proceeds from and repayment of convertible bonds, net of payment of issue costs, (iv) the payment to non-controlling interests, and (v) repayments of leases liabilities.

## 42. MAJOR NON-CASH TRANSACTIONS

During the year, there were reduction to right-of-use assets of approximately RMB3,007,000 (2020: RMB161,000) and lease liabilities of RMB3,007,000 (2020: RMB161,000) due to certain contracts were derecognised upon early termination of lease or modified.

## 43. SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Scheme**") pursuant to a resolution passed by its shareholders on 6 December 2017, for the primary purpose of providing incentives or rewards to eligible employees (including the executive, non-executive and independent non-executive directors of the Company) and other selected participants. The adoption of the Scheme became unconditional upon the listing of the Company on 6 December 2017 and refreshed on 26 September 2018.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of shares in issue on the date of listing on the Stock Exchange, without prior approval from the Company's shareholders. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of the Securities on the Stock Exchange, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the shareholders' approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the relevant class of securities of the Company in issue and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of the offer grant. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the vesting date to the maturity date of options but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

## 43. SHARE OPTION SCHEME (Continued)

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

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2020 | During the period: Granted | During the period: Exercised | During the period: Cancelled | During the period: Lapsed | Outstanding as at 31 March 2021 | Vesting period of shares options | Exercisable period of shares options | Exercise price per share HK$ | Closing price per share immediately before the date of grant HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | |
| Mr. Gao | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Lai | 17 May 2019 | 6,000,000 | – | – | – | – | 6,000,000 | Vested immediately on the date of grant | 17 May 2019 to 16 February 2022 | 1.600 | 1.78 |
| Mr. Lai | 17 May 2019 | 6,000,000 | – | – | – | – | 6,000,000 | 17 May 2019 to 16 February 2020 | 17 February 2020 to 16 February 2022 | 1.600 | 1.78 |
| Mr. Lai | 17 May 2019 | 8,000,000 | – | – | – | – | 8,000,000 | 17 May 2019 to 16 February 2021 | 17 February 2021 to 16 February 2022 | 1.600 | 1.78 |
| Ms. Cheng | 15 October 2019 | (6,000,000) | – | – | (6,000,000) | – | – | 15 October 2019 to 6 August 2020 | 7 August 2020 to 6 August 2023 | 1.600 | 2.00 |
| Ms. Cheng | 15 October 2019 | (6,000,000) | – | – | (6,000,000) | – | – | 15 October 2019 to 6 August 2021 | 7 August 2021 to 6 August 2023 | 1.600 | 2.00 |
| Ms. Cheng | 15 October 2019 | (8,000,000) | – | – | (8,000,000) | – | – | 15 October 2019 to 6 August 2022 | 7 August 2022 to 6 August 2023 | 1.600 | 2.00 |

## 43. SHARE OPTION SCHEME (Continued)

| Name and/ or category of grantees | Date of grant of share options | Number of share options | | | | | | Vesting period of shares options | Exercisable period of shares options | Exercise price per share HK$ | Closing price per share immediately before the date of grant HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Outstanding as at 1 April 2020 | During the period | | | | Outstanding as at 31 March 2021 | | | | |
| | | | Granted | Exercised | Cancelled | Lapsed | | | | | |
| **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 |
| | | 80,000,000 | – | – | (20,000,000) | – | 60,000,000 | | | | |
| **Exercisable at the end of the year** | | 36,000,000 | | | | | 60,000,000 | | | | |
| Weighted average exercise price | | 1.61 | | | | | 1.61 | | | | |

## 43. SHARE OPTION SCHEME (Continued)

Details of the share options granted and outstanding during the prior year were:

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2019 | During the period: Granted | During the period: Exercised | During the period: Cancelled | During the period: Lapsed | Outstanding as at 31 March 2020 | Vesting period of shares options | Exercisable period of shares options | Exercise price per share HK$ | Closing price per share immediately before the date of grant HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | |
| Mr. Gao | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Gao | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Teng | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Yu | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| Mr. Lai | 17 May 2019 | – | 6,000,000 | – | – | – | 6,000,000 | Vested immediately on the date of grant | 17 May 2019 to 16 February 2022 | 1.600 | 1.78 |
| Mr. Lai | 17 May 2019 | – | 6,000,000 | – | – | – | 6,000,000 | 17 May 2019 to 16 February 2020 | 17 February 2020 to 16 February 2022 | 1.600 | 1.78 |
| Mr. Lai | 17 May 2019 | – | 8,000,000 | – | – | – | 8,000,000 | 17 May 2019 to 16 February 2021 | 17 February 2021 to 16 February 2022 | 1.600 | 1.78 |
| Ms. Cheng | 15 October 2019 | – | 6,000,000 | – | – | – | 6,000,000 | 15 October 2019 to 6 August 2020 | 7 August 2020 to 6 August 2023 | 1.600 | 2.00 |
| Ms. Cheng | 15 October 2019 | – | 6,000,000 | – | – | – | 6,000,000 | 15 October 2019 to 6 August 2021 | 7 August 2021 to 6 August 2023 | 1.600 | 2.00 |
| Ms. Cheng | 15 October 2019 | – | 8,000,000 | – | – | – | 8,000,000 | 15 October 2019 to 6 August 2022 | 7 August 2022 to 6 August 2023 | 1.600 | 2.00 |

## 43. SHARE OPTION SCHEME (Continued)

| Name and/ or category of grantees | Date of grant of share options | Number of share options: Outstanding as at 1 April 2019 | During the period: Granted | During the period: Exercised | During the period: Cancelled | During the period: Lapsed | Outstanding as at 31 March 2020 | Vesting period of shares options | Exercisable period of shares options | Exercise price per share HK$ | Closing price per share immediately before the date of grant HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consulting firm** | | | | | | | | | | | |
| Chatwin Capital Service Limited | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| Chatwin Capital Service Limited | 29 June 2018 | 1,200,000 | – | – | – | – | 1,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| Chatwin Capital Service Limited | 29 June 2018 | 1,600,000 | – | – | – | – | 1,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | 7,200,000 | – | – | – | – | 7,200,000 | Vested immediately on the date of grant | 29 June 2018 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | 7,200,000 | – | – | – | – | 7,200,000 | 29 June 2018 to 28 June 2019 | 29 June 2019 to 28 June 2021 | 1.612 | 1.55 |
| **Employees** | 29 June 2018 | 9,600,000 | – | – | – | – | 9,600,000 | 29 June 2018 to 28 June 2020 | 29 June 2020 to 28 June 2021 | 1.612 | 1.55 |
| | | 40,000,000 | 40,000,000 | – | – | – | 80,000,000 | | | | |
| **Exercisable at the end of the year** | | | | | | | 36,000,000 | | | | |
| Weighted average exercise price | | 1.61 | | | | | 1.61 | | | | |

## 43. SHARE OPTION SCHEME (Continued)

During the year ended 31 March 2020, options were granted on 17 May 2019 and 15 October 2019. The estimated fair values of the options granted on those dates are approximately HK$13,543,000 and approximately HK$18,407,000 respectively, equivalent to approximately RMB11,880,000 and approximately RMB16,591,000 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 approximately RMB4,493,000 for the year ended 31 March 2021 (2020: RMB20,882,000) in relation to share options granted by the Company. No share options granted under the Scheme were exercised up to the end of the reporting period.

On 25 May 2020, Ms. Cheng resigned as an executive director and vice chairperson of the Company and the Board cancelled her 20,000,000 share options on the same day.

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

The Binomial Option Pricing model has been used to estimate the fair value of the options granted to directors and employees. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. The fair value of the options granted to service providers was determined by reference to the fair value of the services received by the Group.

The following assumptions were used in the Binomial Option Pricing model to calculate the fair values of share options granted to directors and employees:

| | 15 October 2019 | 17 May 2019 | 29 June 2018 |
|---|---|---|---|
| Grant date share price | HK$2.00 | HK$1.78 | HK$1.60 |
| Exercise price | HK$1.60 | HK$1.60 | HK$1.61 |
| Expected life | 3.8 years | 2.8 years | 3.0 years |
| Expected volatility | 50.85% | 51.98% | 61.57% |
| Dividend yield | 0% | 0% | 0% |
| Risk-free interest rate | 1.49% | 1.65% | 1.95% |

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

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

## 44. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiaries situated in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. The Group also operates a MPF scheme for all qualified employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each qualified to make contributions to the Scheme at rate at the lower of HK$1,500 per month or 5% of relevant payroll costs each month.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to approximately RMB2,742,000 (2020: RMB2,309,000) for the year ended 31 March 2021.

## 45. RELATED PARTY DISCLOSURES

### (a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in note 26.

### (b) Related party transactions

During the year, the Group entered into the following transactions with a related company, which is controlled by Mr. Lai, the Controlling Shareholder.

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Short term lease paid to Emax | – | 117 |

### (c) Guarantee

As at 31 March 2021, the Group's bank borrowings amounting to approximately RMB5,326,000 (2020: RMB6,762,000) were personally guaranteed by Mr. Lai and an amount of approximately RMB21,600,000 (2020: RMB6,500,000) were guaranteed by Mr. Lai and his close family member.

As at 31 March 2021, the Group's bank borrowings amounting to approximately RMB1,800,000 (2020: RMB1,890,000) were personally guaranteed by Mr. Ke, the non-controlling shareholder of subsidiaries, with his personal property.

## 45. RELATED PARTY DISCLOSURES (Continued)

### (d) Compensation of key management personnel

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

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Fee | 3,315 | 3,808 |
| Salaries and other allowances | 7,814 | 7,718 |
| Retirement benefit scheme contributions | 125 | 242 |
| Equity-settled share-based payments | 4,060 | 18,492 |
| | 15,314 | 30,260 |

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

## 46. PARTICULARS OF SUBSIDIARIES

| Name of subsidiaries | Date and place of incorporation/ establishment/ operation | Issued and fully paid share capital/ registered capital | Effective interest attributable to the Group Directly 2021 | Directly 2020 | Indirectly 2021 | Indirectly 2020 | Principal activities |
|---|---|---|---|---|---|---|---|
| Abacus | 17 April 2000 Hong Kong | HK$6,000,000 | – | – | 100% | 100% | Investment holding |
| Action First Investment Limited[1] | 28 July 2015 BVI/Hong Kong | US$10,000 | 100% | 100% | – | – | Investment holding |
| Bright Leap | 7 April 2018 BVI/Hong Kong | US$50,000 | – | – | 51.73% | 51.73% | Investment holding |
| 天昕有限公司 (Celestial Aurora Limited) | 28 January 2019 BVI/Hong Kong | US$10,000 | – | – | 70% | 70% | Investment holding |
| 中裕集團有限公司 (Central Wealth Holdings Limited) | 20 April 2018 Hong Kong | HK$10,000 | – | – | 100% | 100% | Investment holding |
| 創京有限公司 (Creation Chain Limited) | 9 November 2018 BVI/Hong Kong | HK$1 | – | – | 54.25% | 54.25% | Inactive |
| 科鋭有限公司 (Cyber Sharp Limited) | 30 June 2016 Hong Kong | HK$1 | – | – | 100% | 100% | Inactive |
| 深圳市艾伯數字有限公司 | 4 August 2015 The PRC[3] | RMB10,000,000[4] | – | – | 70% | 70% | Inactive |
| 湖南盈鼎網路有限公司 (Hunan Yingding Network Company Limited)[6,11] | 28 September 2016 The PRC[3] | RMB2,000,000 | – | – | 33.62% | 33.62% | Inactive |
| IBO Information | 13 December 2000 The PRC[2] | HK$150,000,000 | – | – | 100% | 100% | Sales of intelligent terminal products, provision of coordination, management and installation services of smart city, provision of system maintenance services and development of customised softwares |
| 深圳市艾伯信息科技有限公司 | 1 November 2016 The PRC[3] | RMB20,000,000[5] | – | – | 70% | 70% | Collection, process and storage of data, text and graphics |
| IBO Holdings[1] | 13 May 2016 BVI/Hong Kong | United States dollar 1 ("**US$1**") | 100% | 100% | – | – | Investment holding |

## 46. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Date and place of incorporation/ establishment/ operation | Issued and fully paid share capital/ registered capital | Effective interest attributable to the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | | Indirectly | | |
| | | | 2021 | 2020 | 2021 | 2020 | |
| 艾伯智能有限公司 (IBO Intelligent Company Limited) | 4 May 2018 Hong Kong | HK$10,000 | – | – | 100% | 100% | Investment holding |
| 江西方宇運維網路科技有限公司 (Jiangxi Fangyu Yunwei Network Technology Company Limited) [6, 11] | 27 June 2017 The PRC[3] | RMB2,000,000 | – | – | N/A[10] | 33.62% | Inactive |
| 駿新有限公司 (Jun Sin Limited) | 8 October 2018 BVI/Hong Kong | US$50,000 | – | – | 100% | 100% | Inactive |
| 源泉有限公司 (Rise Mark Corporation Limited)[11] | 22 June 2018 Hong Kong | HK$1 | – | – | 51.73% | 51.73% | Investment holding |
| 艾伯智能(深圳)有限公司 (Shenzhen IBO Intelligent Company Limited) | 13 March 2019 The PRC[3] | RMB20,000,000[7] | – | – | 100% | 100% | Inactive |
| Weitu Technology[11] | 18 March 2004 The PRC[3] | RMB6,000,000 | – | – | 51.73% | 51.73% | Provision of system maintenance services and development of customised softwares |
| 深圳市運維網路有限公司 (Shenzhen Yunwei Network Company Limited ("**Yunwei Network**")[11] | 1 March 2016 The PRC[3] | RMB1,261,905 | – | – | 51.73% | 51.73% | Provision of system maintenance services and development of customised softwares |
| 漢成控股有限公司 (Sino Achiever Holdings Limited) | 28 November 2018 BVI/Hong Kong | US$1 | – | – | 54.25% | 54.25% | Investment holding |
| 成悅控股有限公司 (Successful Joy Holdings Limited) [1] | 15 November 2018 BVI/Hong Kong | US$1 | 100% | 100% | – | – | Investment holding |
| Upright Joy[1] | 8 July 2015 BVI/Hong Kong | US$10,000 | 100% | 100% | – | – | Investment holding |
| 正輝有限公司 (Wonderful Splendor Limited) [1] ("**Wonderful Splendor**") | 25 January 2019 BVI/Hong Kong | US$10,000 | 100% | 100% | – | – | Investment holding |
| 喜欣國際有限公司 (Jovial Ideal International Limited) [1] | 29 May 2019 BVI/Hong Kong | US$1 | 100% | 100% | – | – | Investment holding |
| 深圳市艾伯通信有限公司 | 9 August 2019 The PRC[3] | RMB60,000,000[8] | – | – | 51% | 51% | Provision of coordination management and installation services of smart city |

## 46. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Date and place of incorporation/ establishment/ operation | Issued and fully paid share capital/ registered capital | Effective interest attributable to the Group Directly 2021 | Directly 2020 | Indirectly 2021 | Indirectly 2020 | Principal activities |
|---|---|---|---|---|---|---|---|
| 艾伯通信有限公司 (IBO Telecom Company Limited) | 15 August 2019 Hong Kong | HK$100,000 | – | – | 51% | 51% | Inactive |
| 深圳市艾伯供應鏈科技有限公司 | 16 January 2020 The PRC[3] | RMB20,000,000[9] | – | – | 100% | 100% | Inactive |

1 Directly held by the Company.

2 IBO Information is a wholly foreign owned enterprise established in the PRC.

3 These companies are limited liability companies established in the PRC.

4 The registered capital of 深圳市艾伯數字有限公司 is RMB10 million but only RMB1 million was paid by the Group up to the date of the issuance of the financial statements.

5 The registered capital of 深圳市艾伯信息科技有限公司 are RMB20 million but nil were paid at the date of the issuance of the financial statements.

6 The Group indirectly controlled these companies through Yunwei Network, which has 65% ownership interest and voting rights in these companies.

7 The registered capital of 艾伯智能(深圳)有限公司 are RMB20 million but nil were paid at the date of the issuance of the financial statements.

8 The registered capital of 深圳市艾伯通信有限公司 are RMB60 million but nil were paid at the date of the issuance of the financial statements.

9 The registered capital of 深圳市艾伯供應鏈科技有限公司 are RMB20 million but nil were paid at the date of the issuance of the financial statements.

10 The company was deregistered on 18 March 2021.

11 Subsidiaries of Bright Leap Group.

None of the subsidiaries had issued any debt securities at the end of the year.

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of Incorporation and principal place of business | Proportion of ownership interests and voting held by non-controlling interest 2021 | 2020 | Profit (loss) allocated to non-controlling interests 2021 RMB'000 | 2020 RMB'000 | Accumulated non-controlling interests 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|---|---|---|---|
| Bright Leap Group | BVI/The PRC | 48.27% | 48.27% | 10,035 | 4,549 | 44,809 | 34,774 |
| Individually immaterial subsidiaries with non-controlling interests | | – | – | 4,540 | (1,734) | 2,783 | (1,757) |
| | | | | 14,575 | 2,815 | 47,592 | 33,017 |

## 46. PARTICULARS OF SUBSIDIARIES (Continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of Bright Leap Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### Bright Leap Group

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Current assets | **172,357** | 51,946 |
| Non-current assets | **38,692** | 55,499 |
| Current liabilities | **(105,816)** | (21,725) |
| Non-current liabilities | **(12,399)** | (13,676) |
| Equity attributable to owners of the Company | **48,025** | 37,270 |
| Non-controlling interests | **44,809** | 34,774 |

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Revenue | **121,203** | 40,579 |
| Profit and total comprehensive income for the year | **20,791** | 9,424 |
| Profit and total comprehensive income for the year | | |
| attributable to owners of the Company | **10,756** | 4,875 |
| attributable to non-controlling interests | **10,035** | 4,549 |
| | **20,791** | 9,424 |
| Net cash inflow (outflow) from operating activities | **6,252** | (459) |
| Net cash outflow from investing activities | **(911)** | (3,674) |
| Net cash inflow (outflow) from financing activities | **256** | (1,922) |
| Net cash inflow (outflow) | **5,597** | (6,055) |

## 47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Investments in subsidiaries | 160,941 | 160,941 |
| Amounts due from subsidiaries | 26,000 | 26,000 |
| | 186,941 | 186,941 |
| **Current assets** | | |
| Amounts due from subsidiaries | 137,954 | 82,035 |
| Bank balances and cash | 1,820 | 259 |
| | 139,774 | 82,294 |
| **Current liabilities** | | |
| Other payables | 7,634 | 5,036 |
| Other borrowings | 2,536 | – |
| Bonds payables | 39,586 | 35,538 |
| Amounts due to subsidiaries | 8,681 | 11,550 |
| | 58,437 | 52,124 |
| **Net current assets** | 81,337 | 30,170 |
| **Total assets less current liabilities** | 268,278 | 217,111 |
| **Non-current liabilities** | | |
| Bonds payables | 29,727 | 31,101 |
| Convertible bonds | 44,787 | 58,245 |
| | 74,514 | 89,346 |
| **Net Assets** | 193,764 | 127,765 |
| **Capital and reserves** | | |
| Share capital | 4,103 | 3,467 |
| Reserves | 189,661 | 124,298 |
| **Total equity** | 193,764 | 127,765 |

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 June 2021 and are signed on its behalf by:

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

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

## 47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

### Movement in the Company's reserves:

| | Share premium RMB'000 | Merger reserve RMB'000 *(note)* | Share option reserve RMB'000 | Retained profits (accumulated loss) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 April 2019 | 158,165 | (43,325) | 14,668 | 5,749 | 135,257 |
| Loss and other comprehensive expense for the year | – | – | – | (52,000) | (52,000) |
| Issue of shares related to previous acquisition | 15,621 | – | – | – | 15,621 |
| Issue of shares by the conversion of convertible bonds | 4,538 | – | – | – | 4,538 |
| Recognition of equity-settled share based payments | – | – | 20,882 | – | 20,882 |
| At 31 March 2020 | 178,324 | (43,325) | 35,550 | (46,251) | 124,298 |
| Loss and other comprehensive expense for the year | – | – | – | (56,825) | (56,825) |
| Issue of shares under Special Mandate | 62,171 | – | – | – | 62,171 |
| Issue of shares related to previous acquisition | 15,906 | – | – | – | 15,906 |
| Issue of shares by the conversion of convertible bonds | 39,618 | – | – | – | 39,618 |
| Recognition of equity-settled share based payments | – | – | 4,493 | – | 4,493 |
| Cancellation of share option | – | – | (6,434) | 6,434 | – |
| At 31 March 2021 | **296,019** | **(43,325)** | **33,609** | **(96,642)** | **189,661** |

*Note:* Merger reserve represented the difference between the share capital of Abacus, which was transferred from Shine Well to IBO Holdings pursuant to the reorganisation as set out on the prospectus dated 14 December 2017, and share capital and share premium of IBO Holdings.

## 48. EVENTS AFTER THE REPORTING PERIOD

On 5 May 2021, the Company and a placing agent entered into share placing agreement, pursuant to which the Company conditionally agreed to place, through the placing agent, up to 21,000,000 placing shares to independent placees at placing price of HK$3.69 per placing share. On 13 May 2021, all the 21,000,000 placing shares have been successfully placed by the placing agent to not less than six placees at the placing price of HK$3.69 per placing share pursuant to the terms and conditions of the placing agreement. For details, please refer to the Company's announcements dated 5 May 2021 and 13 May 2021.

# FIVE YEARS FINANCIAL SUMMARY

| | 2021<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 |
|---|---|---|---|---|---|
| Revenue | **560,325** | 487,756 | 298,916 | 212,700 | 103,893 |
| Cost of sales and services rendered | **(444,308)** | (374,453) | (197,613) | (126,480) | (50,313) |
| Gross profit | **116,017** | 113,303 | 101,303 | 86,220 | 53,580 |
| Other income | **4,832** | 4,514 | 5,675 | 5,522 | 3,715 |
| Other expenses | **–** | – | – | (2,552) | (77) |
| Other gains (losses), net | **(33,987)** | (56,214) | 3,677 | (4,032) | 241 |
| Share of results of an associate | **120** | (226) | – | – | – |
| Impairment losses under expected credit loss model, net of reversal | **(13,174)** | (7,814) | 172 | – | – |
| Distribution and selling expenses | **(7,295)** | (5,543) | (3,123) | (1,698) | (1,055) |
| Administrative expenses | **(50,956)** | (71,879) | (52,577) | (15,719) | (7,826) |
| Finance costs | **(16,189)** | (10,353) | (2,802) | (1,868) | (2,770) |
| Research and development expenses | **(13,935)** | (3,856) | (5,321) | (2,005) | (544) |
| Listing expenses | **–** | – | – | (15,431) | (6,984) |
| (Loss) profit before taxation | **(14,567)** | (38,068) | 47,004 | 48,437 | 38,280 |
| Income tax expense | **(12,955)** | (12,072) | (12,064) | (12,961) | (8,835) |
| (Loss) profit and total comprehensive (expense) income for the year | **(27,522)** | (50,140) | 34,940 | 35,476 | 29,445 |
| (Loss) profit and total comprehensive (expense) income for the year attributable to | | | | | |
| — Owners of the Company | **(42,097)** | (52,955) | 33,951 | 35,476 | 29,445 |
| — Non-controlling interests | **14,575** | 2,815 | 989 | – | – |
| | **(27,522)** | (50,140) | 34,940 | 35,476 | 29,445 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **946,758** | 629,856 | 515,977 | 293,723 | 143,671 |
| Total liabilities | **(568,736)** | (347,136) | (224,276) | (79,404) | (78,258) |
| **Net assets** | **378,022** | 282,720 | 291,701 | 214,319 | 65,413 |
| Total equity attributable to owners of the Company | **330,430** | 249,703 | 261,499 | 214,319 | 65,413 |
| Non-controlling interests | **47,592** | 33,017 | 30,202 | – | – |
| **Total equity** | **378,022** | 282,720 | 291,701 | 214,319 | 65,413 |

# DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|---|---|
| "2018 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 |
| "2020 General Mandate" | the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting on15 September 2020 to allot and issue up to 84,285,501 Shares, representing 20% of the total number of Shares in issue as at the date of passing such resolution |
| "Board" | The board of Directors |
| "BVI" | the British Virgin Islands |
| "Company" | IBO Technology Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board (Stock Code: 2708) |
| "Company's Code" | a code of conduct regarding Directors' transactions in securities of the Company |
| "Consideration Share(s)" | up to 27,318,773 new Shares to be allotted and issued to Wisdom Galore at the Issue Price under the 2018 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 and was deregistered on 18 March 2021 |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hunan Yingding" | Hunan Yingding Network Co., Ltd.* (湖南盈鼎網絡有限公司), a company established in the PRC with limited liability |
| "IBO Communication" | Shenzhen IBO Communication Company Limited* (深圳市艾伯通信有限公司), a company established in the PRC with limited liability, which is an indirect subsidiary of the Company |

* *For identification purpose only*

| | |
|---|---|
| "IBO Digital" | IBO Shenzhen Digital Limited* (深圳市艾伯數字有限公司), a company established in the PRC with limited liability, which is an indirect subsidiary of the Company |
| "IBO Information" | IBO Information (Shenzhen) Limited* (艾伯資訊(深圳)有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company |
| "IBO Information Technology" | IBO Shenzhen Information Technology Limited* (深圳市艾伯信息科技有限公司), a company established in the PRC with limited liability, which is an indirect subsidiary of the Company |
| "Issue Price" | HK$2.0, being the issue price per Consideration Share |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Main Board |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| "PRC" | the People's Republic of China which, for the purposes of this report, excludes Hong Kong, Macau Special Administrative Region and Taiwan Region |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the issued share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Takeovers Code" | The Code on Takeovers and Mergers published by The Securities and Futures Commission of Hong Kong |
| "Weitu Group" | collectively, Weitu Technology, Yunwei Network, Hunan Yingding and Fangyu Yunwei |
| "Weitu Technology" | Shenzhen Weitu Technology Development Co., Ltd.* (深圳市偉圖科技開發有限公司), a company established in the PRC with limited liability |
| "Yunwei Network" | Shenzhen Yunwei Network Co., Ltd.* (深圳市運維網絡有限公司), a company established in the PRC with limited liability |
| "%" | per cent |

* *For identification purpose only*

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